



## IVACO INC.

PLACE MERCANTILE  
770, RUE SHERBROOKE OUEST  
MONTRÉAL (QUÉBEC)  
CANADA H3A 1G1

### NOTICE OF SPECIAL MEETINGS OF SHAREHOLDERS

TAKE NOTICE that a special meeting of the holders of Class A subordinate voting shares, Class B voting shares and Second Preferred Shares of IVACO INC. (the "Corporation"), a special meeting of the holders of Second Preferred Shares of the Corporation as a class, and special meetings by series of the holders of each series of Second Preferred Shares of the Corporation, will be held concurrently in the Gold and Gray Room at the Ritz-Carlton Hotel, 1228, rue Sherbrooke ouest, Montréal (Québec) on January 24, 1995 at the hour of 10 o'clock in the morning, for the following purposes:

1. To consider and, if thought advisable, to pass, with or without amendment, a special resolution approving the amendment of the articles of the Corporation to change the rights, privileges, restrictions and conditions attaching to the \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 1;
2. To consider and, if thought advisable, to pass, with or without amendment, a special resolution approving the amendment of the articles of the Corporation to change the rights, privileges, restrictions and conditions attaching to the \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 2;
3. To consider and, if thought advisable, to pass, with or without amendment, a special resolution approving the amendment of the articles of the Corporation to change the rights, privileges, restrictions and conditions attaching to the \$2.25 Cumulative Redeemable Convertible Second Preferred Shares, Series 3;
4. To consider and, if thought advisable, to pass, with or without amendment, a special resolution approving the amendment of the articles of the Corporation to change the rights, privileges, restrictions and conditions attaching to the Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4; and
5. To transact such further or other business as may properly be brought before the Special Meetings or any adjournment thereof.

A copy of each of the special resolutions referred to in items 1, 2, 3 and 4 of this notice are annexed as Appendices 1, 2, 3 and 4, respectively, to the Management Proxy Circular accompanying this notice.


Dated this 15th day of December, 1994.

By order of the Board

GUY-PAUL MASSICOTTE  
General Counsel and Secretary

#### NOTES:

1. Shareholders who are unable to be present in person at the meetings referred to above are requested to sign and return, in the envelope provided for that purpose, the accompanying form or forms of proxy for use at the meetings. Instruments of proxy to be used at the meetings must be deposited either at the Montreal office of The R-M Trust Company, the transfer agent for the shares of the Corporation, before 5:00 p.m. (Montreal time) on January 20, 1995, or with the chairman of the meetings on the day of the meetings.
2. Only holders of Class A subordinate voting shares, Class B voting shares and Second Preferred Shares of the Corporation of record at the close of business on December 15, 1994 will be entitled to vote at the meetings except to the extent that a person has transferred any of such shares after that date and the transferee of such shares establishes proper ownership and requests, not later than 10 days before the meetings, that his or her name be included in the list of shareholders for the meetings, in which case the transferee will be entitled to vote his or her shares at the meetings.
3. A holder of Second Preferred Shares who dissents from any special resolution in respect of which he or she is entitled to vote is entitled in certain circumstances to be paid the fair value of his or her shares (as more fully described in the accompanying Management Proxy Circular).



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# IVACO INC.

## MANAGEMENT PROXY CIRCULAR

### MEETINGS OF SHAREHOLDERS

The board of directors of the Corporation has called a special meeting of the holders of the Class A subordinate voting shares, the Class B voting shares and the Second Preferred Shares of the Corporation, a special meeting of the holders of the Second Preferred Shares of the Corporation as a class, and special meetings by series of the holders of each series of Second Preferred Shares (all such special meetings and any adjournments thereof being referred to collectively in this document as the “Meetings”, and individually as a “Meeting”) to be held at the time and place and for the purposes set forth in the accompanying notice of the Meetings. There are currently four outstanding series of Second Preferred Shares (sometimes referred to herein as the “Existing Second Preferred Shares”): \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 1 (the “Series 1 Second Preferred Shares”), \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 2 (the “Series 2 Second Preferred Shares”), \$2.25 Cumulative Redeemable Convertible Second Preferred Shares, Series 3 (the “Series 3 Second Preferred Shares”) and Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4 (the “Series 4 Exchangeable Second Preferred Shares”).<sup>(1)</sup>

It is the intention of the board of directors of the Corporation that the Meetings will be conducted concurrently, with a single call for votes and a separate record being maintained of the votes cast in respect of the Class A subordinate voting shares and Class B voting shares and in respect of each series of the Second Preferred Shares.

### SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by the management of Ivaco Inc. (the “Corporation”) of proxies to be used at the Meetings. It is expected that the solicitation will be primarily by mail and by telephone or personal contact in the discretion of the Corporation and its agents. Proxies may also be solicited personally by regular employees of the Corporation.

ScotiaMcLeod Inc., Nesbitt Burns Inc. and Midland Walwyn Capital Inc. (the “Dealer Managers”) have been engaged to manage the solicitation of proxies in connection with the Meetings from holders of Class A subordinate voting shares, Class B voting shares and Second Preferred Shares. In connection with those solicitation activities and related matters, the Dealer Managers are entitled, in the aggregate, to receive (i) a management fee equal to \$175,000, (ii) a solicitation fee equal to \$0.25 per Series 1 Second Preferred Share, Series 2 Second Preferred Share or Series 3 Second Preferred Share, \$0.32 per Series 4 Exchangeable Second Preferred Share and \$0.05 per Class A subordinate voting share or Class B voting share, in each case in respect of which a proxy is received by the Corporation directing a vote to be registered in favour of all the Special Resolutions (as hereinafter defined) in respect of which the holder of such shares is entitled to vote, subject to a minimum of \$75 and a maximum of \$1,000 per proxy solicited by any broker or dealer in respect of the shares of any single beneficial holder and a maximum of \$25,000 in respect of all Class A subordinate voting shares and Class B voting shares, and (iii) a fee of \$125,000 if and when articles of amendment giving effect to the Special Resolutions are filed with the Director under the *Canada Business Corporations Act* (the “CBCA”) and all regulatory approvals necessary for the initial payment in respect of the dividend arrears on the Second Preferred Shares in the manner described herein are received. The aforementioned fees may be distributed by the Dealer Managers to other investment dealers participating in such solicitation activities.

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(1) Shareholders should note that the last date upon which holders of the Series 1, Series 2 and Series 3 Second Preferred Shares were entitled to convert them into Class A subordinate voting shares occurred in 1990.

The cost of the solicitation of proxies by or on behalf of management for use at the Meetings will be borne by the Corporation. The Corporation will compensate brokers, custodians, nominees and other intermediaries in Canada in accordance with applicable Canadian regulatory requirements relating to the forwarding of proxy material to beneficial owners of Class A subordinate voting shares, Class B voting shares and Second Preferred Shares. The Corporation will also reimburse brokers, custodians, nominees and other intermediaries outside of Canada for their reasonable charges and expenses incurred in forwarding proxy material to beneficial holders of such shares. Officers, directors and regular employees of the Corporation may, without additional compensation, solicit proxies personally or by telephone.

## **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form or forms of proxy are directors of the Corporation. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him or her at the Meetings may do so either by writing the name of his or her chosen proxy in the blank space provided in the form or forms of proxy or by completing another proper form of proxy.**

A shareholder who has given a proxy may revoke it by instrument in writing executed by the shareholder or by his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Montreal office of The R-M Trust Company, the transfer agent for the shares of the Corporation, at any time up to and including the last business day preceding the day of the special meetings, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such Meetings on the day of the special meetings, or any adjournment thereof.

## **EXERCISE OF DISCRETION BY PROXIES**

**The persons named in the enclosed form or forms of proxy will vote the shares in respect of which they are appointed in accordance with the instructions of the shareholders specified in the proxies appointing them. If no instructions are specified, the persons named in the enclosed form or forms of proxy will vote such shares FOR the Special Resolutions.**

The enclosed form or forms of proxy confer discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the notice of the Meetings and with respect to other business which may properly be brought before the Meetings. At the date of this circular, the management of the Corporation knows of no such amendments, variations or other business to be brought before the Meetings.

## **VOTING OF SHARES**

Holders of Class A subordinate voting shares and Class B voting shares will be entitled to vote at the Meeting of holders of the Class A subordinate voting shares, the Class B voting shares and the Second Preferred Shares (the "Voting Share Meeting"). In addition, as a result of dividends on the Second Preferred Shares being in arrears for an aggregate of more than eight quarters, holders of Second Preferred Shares will be entitled to vote at the Voting Share Meeting. Each holder of Class A subordinate voting shares is entitled to one vote at the Voting Share Meeting for each Class A subordinate voting share registered in his or her name as at the close of business on December 15, 1994 (the "Meeting Record Date"). Each holder of Class B voting shares is entitled to ten votes at the Voting Share Meeting for each Class B voting share registered in his or her name as at the close of business on the Meeting Record Date. Each holder of Second Preferred Shares is entitled to one vote at the Voting Share Meeting for each Second Preferred Share registered in his or her name as at the close of business on the Meeting Record Date.

Holders of the Second Preferred Shares will be entitled to vote at the class Meeting of holders of Second Preferred Shares (the "Second Preferred Share Class Meeting"). Each holder of Second Preferred Shares is entitled to one vote at the Second Preferred Share Class Meeting in respect of each

full \$1.00 paid up on each Second Preferred Share registered in his or her name as at the close of business on the Meeting Record Date.

Holders of Series 1 Second Preferred Shares, Series 2 Second Preferred Shares, Series 3 Second Preferred Shares and Series 4 Exchangeable Second Preferred Shares will be entitled to vote at the applicable series Meeting for each series (the "Series 1 Meeting", "Series 2 Meeting", "Series 3 Meeting" or "Series 4 Meeting"). Each holder of Second Preferred Shares of the particular series is entitled to one vote at the appropriate series Meeting in respect of each full \$1.00 paid up on each Second Preferred Share of such series registered in his or her name as at the close of business on the Meeting Record Date.

On December 15, 1994, the Corporation had outstanding the following shares entitled to vote at one or more of the Meetings: 21,958,000 Class A subordinate voting shares; 6,684,341 Class B voting shares; 1,353,873 Series 1 Second Preferred Shares; 1,871,939 Series 2 Second Preferred Shares; 997,752 Series 3 Second Preferred Shares; and 2,986,500 Series 4 Exchangeable Second Preferred Shares. Each outstanding Series 1 Second Preferred Share, Series 2 Second Preferred Share and Series 3 Second Preferred Share is fully paid up in the amount of \$25.00. Each outstanding Series 4 Exchangeable Second Preferred Share is fully paid up in the amount of \$32.00.

In the event of any transfer of a Class A subordinate voting share, Class B voting share or any share of any series of Second Preferred Shares after the Meeting Record Date, the right to vote such share may be exercised by the transferee of the share if he or she produces a properly endorsed share certificate, or otherwise establishes that he or she owns the share, and demands not later than ten days before the Meetings that his or her name be added to the list of shareholders of the Corporation prepared in accordance with the CBCA.

In the event an acquisition offer is made to holders of Class B voting shares and at least 50% of the Class B voting shares are tendered in acceptance of the offer and a similar offer is not made to holders of Class A subordinate voting shares, then each Class A subordinate voting share will for purposes of the offer be deemed to have been converted into a Class B voting share in order that the Class A subordinate voting shares be treated equally with the Class B voting shares.

The directors and officers of the Corporation do not know of any person or company beneficially owning, directly or indirectly, or exercising control or direction over shares of the Corporation carrying more than 10% of the voting rights attaching to shares of the Corporation, except the following persons:

	Class A subordinate voting shares	Class B voting shares	Percentage of Class B voting rights	Percentage of all voting rights
Paul Ivanier .....	138,431	1,656,108	24.78%	17.39%
Sydney Ivanier .....	138,465	1,643,108	24.58%	17.26%
Michael Herling .....	84,101	937,960	14.03%	9.86%
Roslyn Kolomeir Klein .....	99,503	1,069,830	16.01%	11.25%

## PURPOSE OF THE MEETING

The purpose of the Meetings is to consider and, if thought advisable, pass the special resolutions annexed to this circular. The four special resolutions relate respectively to the Series 1 Second Preferred Share provisions (the "Series 1 Special Resolution"), annexed as Appendix 1, the Series 2 Second Preferred Share provisions (the "Series 2 Special Resolution"), annexed as Appendix 2, the Series 3 Second Preferred Share provisions (the "Series 3 Special Resolution"), annexed as Appendix 3, and the Series 4 Exchangeable Second Preferred Share provisions (the "Series 4 Special Resolution"), annexed as Appendix 4 (collectively, the "Special Resolutions"). The intended effect of the Special Resolutions is discussed below more fully under "Effect of the Special Resolutions".

The directors intend, notwithstanding that they are preserving their discretion in this regard, to revoke all Special Resolutions that are passed and not to file articles of amendment effecting the changes authorized by any Special Resolution unless all of the Special Resolutions have been approved with the necessary majorities by the shareholders entitled to vote thereon and the number of Second Preferred Shares in respect of which shareholders dissent is, in the opinion of the board of directors, *de minimis*. See "Rights of Dissenting Holders of Second Preferred Shares".

## BACKGROUND TO THE MEETINGS

### *Suspension of Dividend Payments on Second Preferred Shares*

In 1991, as a result of recessionary conditions in North America, the Corporation incurred a loss of \$59.4 million. On September 4, 1991, as a result of continuing losses and to conserve cash for operating requirements, the Corporation suspended payment of dividends on its Class A subordinate voting shares, its Class B voting shares and on all series of its Second Preferred Shares. The Corporation has continued to make all scheduled dividend payments on all series of its Preferred Shares, which rank ahead of the Second Preferred Shares. The Corporation has an authorized class of subordinated non-voting preferred shares (the "Subordinated Non-Voting Preferred Shares"), none of which is outstanding.

After a further loss of \$19.6 million in 1992, the Corporation had net earnings of \$0.3 million in 1993. During the nine months ended September 30, 1994, the Corporation had net earnings of \$13.0 million. **The directors of the Corporation do not currently consider it prudent to satisfy either the current dividends or the dividend arrears on the Existing Second Preferred Shares exclusively in cash.** In order to reinstate current dividend payments on the Existing Second Preferred Shares as soon as possible, the directors have proposed that the series provisions relating to each series of the Existing Second Preferred Shares be amended to permit the payment of the dividend arrears and ongoing dividends in cash or certain shares of the Corporation, or any combination thereof, as described in the Special Resolutions.

### *Outstanding Dividend Arrears*

By January 16, 1995, the aggregate amount of dividend arrears accumulated with respect to the Existing Second Preferred Shares will be \$44,107,346. The arrears in each series of such shares as at January 16, 1995 will be as follows:

Series 1 Second Preferred Shares .....	\$ 9,477,111
Series 2 Second Preferred Shares .....	\$13,103,573
Series 3 Second Preferred Shares .....	\$ 7,857,297
Series 4 Exchangeable Second Preferred Shares .....	\$13,669,365 (1)

(1) This amount reflects the net arrears on the Series 4 Exchangeable Second Preferred Shares. See "Special Provisions Relating to Series 4 Exchangeable Second Preferred Shares".

### *Dividend Entitlements on Second Preferred Shares*

Holders of Series 1 Second Preferred Shares and Series 2 Second Preferred Shares are entitled to dividends in each calendar quarter equal to \$0.50 per share, and holders of Series 3 Second Preferred Shares are entitled to dividends in each calendar quarter equal to \$0.5625 per share, in each case as and when declared by the directors out of the legally available funds of the Corporation. Holders of the Series 4 Exchangeable Second Preferred Shares are entitled to dividends in each calendar quarter, as and when declared by the directors, equal to (i) the amount of the regular dividends paid in the previous quarter on the common shares of Dofasco Inc. held by the trustee pursuant to the trust deed relating to the Series 4 Exchangeable Second Preferred Shares, and (ii) \$0.32 per Series 4 Exchangeable Second Preferred Share paid out of the legally available funds of the Corporation.

### ***Special Provisions Relating to Series 4 Exchangeable Second Preferred Shares***

Pursuant to the trust deed relating to the Series 4 Exchangeable Second Preferred Shares, in the event that the Corporation fails to pay all or any portion of any quarterly dividend on the Series 4 Exchangeable Second Preferred Shares on the date on which the articles provide for such quarterly dividend to be payable, whether or not such dividend has been declared, the trustee is required to pay to the holders of the Series 4 Exchangeable Second Preferred Shares, on a pro rata basis, the lesser of the cash amount of regular dividends received on the common shares of Dofasco Inc. held by the trustee (and income earned on that amount up to such date) and the amount of the quarterly dividend on the Series 4 Exchangeable Second Preferred Shares then in arrears. The amount of any such payment is then credited against future dividends declared by the Corporation in respect of the arrears. The Corporation did not pay the October 15, 1991 dividend nor has it paid any subsequent dividend on the Series 4 Exchangeable Second Preferred Shares but, in accordance with the provisions of the trust deed described above, holders of Series 4 Exchangeable Second Preferred Shares have received since October 15, 1991 amounts received by the trustee as dividends on the Dofasco Inc. common shares held by the trustee and the income earned thereon. The dividend arrears amount set forth above in relation to the Series 4 Exchangeable Second Preferred Shares represents the net arrears after payments of \$2,547,330 made or to be made on or prior to January 16, 1995 by the trustee to holders of Series 4 Exchangeable Second Preferred Shares are credited against total arrears as at January 16, 1995 of \$16,216,695.

### ***Resumption of Dividends***

The directors are of the view that the improved financial circumstances of the Corporation permit the payment of a portion of the existing dividend arrears on the Existing Second Preferred Shares in cash. The reduction of the accumulated dividend arrears on the Existing Second Preferred Shares and the reinstatement of current dividends on those shares will enhance the Corporation's access to financing alternatives. Accordingly, the directors have determined that it is desirable to begin paying the accumulated dividend arrears on the Existing Second Preferred Shares and to reinstate the payment of current dividends on those shares in order that holders of Second Preferred Shares will be treated on a fair and equitable basis, taking into consideration the improved financial condition of the Corporation. The directors have therefore determined that it is in the interests of the Corporation to amend its articles to provide for dividends to be paid in cash or shares of a new series of Second Preferred Shares (see "Series 5 Second Preferred Shares") or Class A subordinate voting shares or any combination of the foregoing in order to permit the reduction and eventual payment in full of the dividend arrears on the Existing Second Preferred Shares and the satisfaction of ongoing current dividends. The directors are proposing the Special Resolutions to shareholders to accomplish these objectives. It should be noted, however, that until the dividend arrears on the Existing Second Preferred Shares are fully satisfied, the following conditions will continue to exist.

### ***Voting Rights for Second Preferred Shares***

As a result of dividends on the Second Preferred Shares remaining in arrears for more than eight calendar quarters, holders of Second Preferred Shares are entitled to attend and vote at all meetings of shareholders of the Corporation. Holders of the Second Preferred Shares will remain so entitled for so long as any dividends remain in arrears.

### ***Restrictions on Dividends and Retirement of Shares***

In addition, for as long as there are dividend arrears on the Second Preferred Shares, the Corporation is not permitted, unless it has the prior approval of the holders of each series of the Second Preferred Shares, to:

- (a) pay any dividends on the Class A subordinate voting shares, Class B voting shares or any other shares of the Corporation ranking junior to the Second Preferred Shares;

- (b) redeem, purchase or otherwise retire any Class A subordinate voting shares, Class B voting shares or any other shares of the Corporation ranking junior to or equally with the Second Preferred Shares;
- (c) redeem, purchase or otherwise retire less than all of the Second Preferred Shares; or
- (d) make any payments in respect of sinking funds or retirement funds applicable to any shares of the Corporation ranking junior to the Series 4 Exchangeable Second Preferred Shares.

The articles of the Corporation provide that unless dividends on the relevant series are in arrears, the Corporation will make all reasonable efforts to purchase 13,538 Series 1 Second Preferred Shares, 18,719 Series 2 Second Preferred Shares and 9,977 Series 3 Second Preferred Shares for cancellation on the open market in each calendar quarter. As a result of the restrictions described in paragraph (c) above, no such shares were purchased and cancelled during 1992 and 1993, and no purchases of such shares will be made by the Corporation while dividends on the Second Preferred Shares are in arrears.

The Corporation is entitled to purchase for cancellation at any time the whole or any part of each series of the Second Preferred Shares through the facilities of a stock exchange on which the shares are listed or by invitations for tenders to all holders. The Corporation is also entitled to redeem the Series 4 Exchangeable Second Preferred Shares at \$33.50 per share prior to April 14, 1995, provided that the market price of the Dofasco Inc. common shares is greater than \$40 at the time of redemption, and on or after April 14, 1995 at \$32 per share. As a further result of the restrictions described in paragraph (c) above, and because the directors of the Corporation have not deemed it prudent to apply any cash balances of the Corporation to the purchase or redemption of an entire series of the Second Preferred Shares, the Corporation does not intend to make any such purchase or redemption while dividends on the Second Preferred Shares are in arrears.

#### *Restrictions on Issuance of Second Preferred Shares*

Finally, the series provisions relating to the Series 1 Second Preferred Shares, the Series 2 Second Preferred Shares and the Series 3 Second Preferred Shares currently prohibit the Corporation from issuing any additional Second Preferred Shares while there are any dividend arrears on any share of that class.

### **DIRECTORS' INTENTIONS AS TO DIVIDENDS ON EXISTING SECOND PREFERRED SHARES**

#### ***Initial Payment of Portion of Dividend Arrears***

On December 6, 1994, the directors of the Corporation conditionally declared a dividend on the Second Preferred Shares, Series 1, Series 2 and Series 3 and on the Series 4 Exchangeable Second Preferred Shares in an aggregate amount of approximately \$33.1 million in respect of the dividend arrears that will be outstanding on such shares by January 16, 1995. The declaration of this dividend is subject to the conditions that prior to March 31, 1995, all necessary shareholder approvals of the Special Resolutions have been obtained, the number of Second Preferred Shares in respect of which shareholders dissent is, in the opinion of the board of directors of the Corporation, *de minimis*, and a certificate of amendment has been issued by the Director under the CBCA giving effect to the amendments to the articles of the Corporation described in the Special Resolutions. If the conditions are satisfied, the directors will set a dividend record date and the Corporation will, on or prior to March 31, 1995, pay dividends (the "Initial Payment") in an aggregate amount of approximately \$33.1 million, representing 75% of the dividend arrears on each Second Preferred Share that will be outstanding by January 16, 1995. Approximately \$8.5 million of the Initial Payment will be made in cash and approximately \$24.6 million will be satisfied by the issuance of approximately 984,000 Second Preferred Shares of a new series designated as \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 (the "Series 5 Second Preferred Shares") described below under "Series 5 Second Preferred Shares".

An amount of \$25.00 will be added to the stated capital of the Series 5 Second Preferred Shares for each Series 5 Second Preferred Share issued as part of the Initial Payment. All fractional interests in Series 5 Second Preferred Shares resulting from the issuance of such shares as part of the Initial Payment will be satisfied in cash. The Initial Payment will be applied against the outstanding quarterly dividend arrears in the order in which the arrears arose. If the Initial Payment is made on or prior to March 31, 1995, dividends on the Existing Second Preferred Shares will immediately thereafter be in arrears in an aggregate amount of approximately \$11 million.

The Initial Payment per share on the Existing Second Preferred Shares will be comprised of the cash and the Series 5 Second Preferred Shares having the stated capital specified in the table below.

Intended Initial Payment Per Share

<u>Series of Second Preferred Shares</u>	<u>Cash</u>	<u>Series 5 Second Preferred Shares</u>	<u>Aggregate</u>
Series 1 Second Preferred Shares .....	\$1.3482	\$3.9018	\$5.25
Series 2 Second Preferred Shares .....	\$1.3482	\$3.9018	\$5.25
Series 3 Second Preferred Shares .....	\$1.5177	\$4.3923	\$5.91
Series 4 Exchangeable Second Preferred Shares (1) .....	\$0.8821 (2)	\$2.5529	\$3.435

(1) The actual dividend conditionally declared per Series 4 Exchangeable Second Preferred Share equals \$4.2879483, of which \$0.8529483 per share will have been satisfied (upon fulfillment of the conditions to the declaration of such dividend) by the payments related to dividends received on certain common shares of Dofasco Inc., all as described above under "Background to the Meetings — Special Provisions Relating to Series 4 Exchangeable Second Preferred Shares". Accordingly, the amount set forth in the chart represents 75% of the dividend arrears on each Series 4 Exchangeable Second Preferred Share after deducting the \$0.8529483 per share that the trustee described under such heading will have paid on or before January 16, 1995.

(2) \$0.10 of this cash payment has been allocated to the dividends payable on the Series 4 Exchangeable Second Preferred Shares notionally attributable to the dividends received on the common shares of Dofasco Inc. This allocation, together with the payments made by the trustee as described above, will satisfy all arrears as at January 16, 1995 on the Series 4 Exchangeable Second Preferred Shares notionally attributable to the dividends received on the Dofasco Inc. common shares.

Based on the intended Initial Payment per share set out above and assuming the number of Second Preferred Shares outstanding and entitled to receive dividends as at the dividend record date to be set for the Initial Payment is unchanged from December 15, 1994, the intended aggregate Initial Payment on each series of Second Preferred Shares will be comprised of the cash and the Series 5 Second Preferred Shares having the stated capital specified in the table below.

Intended Initial Payment Per Series

<u>Series of Second Preferred Shares</u>	<u>Cash</u>	<u>Series 5 Second Preferred Shares</u>	<u>Aggregate</u>
Series 1 Second Preferred Shares .....	\$1,825,292	\$ 5,282,542	\$ 7,107,834
Series 2 Second Preferred Shares .....	\$2,523,748	\$ 7,303,932	\$ 9,827,680
Series 3 Second Preferred Shares .....	\$1,514,288	\$ 4,382,426	\$ 5,896,714
Series 4 Exchangeable Second Preferred Shares (1) .....	\$2,634,392 (2)	\$ 7,624,236	\$10,258,628
Total for Second Preferred Shares .....	<u>\$8,497,720</u>	<u>\$24,593,136</u>	<u>\$33,090,856</u>

(1) The actual aggregate dividends conditionally declared on the Series 4 Exchangeable Second Preferred Shares equals \$12,805,958, of which \$2,547,330 will have been satisfied (upon fulfillment of the conditions to the declaration of such dividends) by the payments related to dividends received on certain common shares of Dofasco Inc., all as described above under "Background to the Meetings — Special Provisions Relating to Series 4 Exchangeable Second Preferred Shares". Accordingly, the amount set forth in the chart represents 75% of the dividend arrears on the Series 4 Exchangeable Second Preferred Shares after deducting the \$2,547,330 that the trustee described under such heading will have paid on or prior to January 16, 1995.

(2) \$298,650 of this cash payment has been allocated to the dividends payable on the Series 4 Exchangeable Second Preferred Shares notionally attributable to the dividends received on the common shares of Dofasco Inc.

### ***Payment of Remaining Portion of Dividend Arrears***

The current intention of the directors, if the amendments authorized by the Special Resolutions become effective, is that the dividend arrears on the Series 1, Series 2, Series 3 and Series 4 Exchangeable, Second Preferred Shares remaining on or prior to March 31, 1995 after taking into account the Initial Payment, will be satisfied by the declaration of three equal dividends, each in the aggregate approximate amount of \$3.675 million, to be paid on or prior to March 31 in each of 1996, 1997 and 1998. These dividends will be payable in cash or Series 5 Second Preferred Shares or Class A subordinate voting shares or any combination of the foregoing. Series 5 Second Preferred Shares and Class A subordinate voting shares issued in full or partial payment of the dividend arrears on the Existing Second Preferred Shares after the Initial Payment will be valued for dividend payment purposes in the manner described below under "Effect of the Special Resolutions — Manner of Payment of Dividends".

The directors' current intention with respect to the remaining portion of the dividend arrears after the making of the Initial Payment is subject to a number of factors, including the legal ability of the Corporation to pay dividends and the determination by the directors of the Corporation at the time of the proposed declaration of such dividends, in accordance with law, that to do so would be in the best interests of the Corporation.

### ***Reinstatement of Current Quarterly Dividends***

If the amendments proposed in the Special Resolutions become effective, it is the current intention of the directors to reinstate the payment of regular quarterly dividends on a current basis on each series of the Existing Second Preferred Shares commencing in April 1995. The directors intend that regular quarterly dividends on the Existing Second Preferred Shares will be paid in cash or Series 5 Second Preferred Shares or Class A subordinate voting shares or any combination of the foregoing. Series 5 Second Preferred Shares and Class A subordinate voting shares issued in full or partial payment of the regular quarterly dividends on Existing Second Preferred Shares will be valued for dividend payment purposes in the manner described below under "Effect of the Special Resolutions — Manner of Payment of Dividends". The portion of the dividends on the Series 4 Exchangeable Second Preferred Shares which is funded by dividends or distributions paid by Dofasco Inc. will continue to be paid, in accordance with the existing share provisions and trust deed entered into in connection with their issuance, in cash or such other property as Dofasco Inc. distributes, and will not be satisfied by the issuance of Series 5 Second Preferred Shares or Class A subordinate voting shares.

It is expected that the first payment of the current quarterly dividends will be made on April 1, 1995 in respect of the Series 1, Series 2 and Series 3 Second Preferred Shares, and on April 15, 1995 in respect of the Series 4 Exchangeable Second Preferred Shares.

### ***Proportionate Treatment***

After giving effect to the Initial Payment, all arrears as at January 16, 1995 on the Series 4 Exchangeable Second Preferred Shares notionally attributable to the dividends received on the Dofasco Inc. common shares will have been satisfied. See footnote 2 under the table entitled "Intended Initial Payment Per Share" on page 7. It is the directors' intention that (subject to the rights of holders of Series 4 Exchangeable Second Preferred Shares to receive dividends funded by dividends paid on the common shares of Dofasco Inc. in cash or such other property as Dofasco Inc. distributes), the proportions of cash, Series 5 Second Preferred Shares and Class A subordinate voting shares used to satisfy any dividend, whether current or in arrears (excluding the dividend arrears to be satisfied by the Initial Payment), paid on a particular dividend payment date on any Existing Second Preferred Share will be the same as the proportions of cash, Series 5 Second Preferred Shares and Class A subordinate voting shares used to satisfy the dividends paid on the dividend payment date in the same month on every other Existing Second Preferred Share.

## **SERIES 5 SECOND PREFERRED SHARES**

The directors of the Corporation have authorized the creation of an unlimited number of Series 5 Second Preferred Shares. No action of the shareholders of the Corporation is necessary in connection with the creation of Series 5 Second Preferred Shares, although their issuance remains subject to the filing of articles of amendment giving effect to the Special Resolutions and to regulatory approval. The series provisions authorized by the directors for the Series 5 Second Preferred Shares are annexed as Appendix 5 to this circular. The Series 5 Second Preferred Shares will have the same class rights as other Second Preferred Shares. The following summary of certain material terms of the series provisions that will relate to the Series 5 Second Preferred Shares once created does not purport to be complete and is qualified by reference to the series provisions annexed as Appendix 5 to this circular.

### ***Value Ascribed to Series 5 Second Preferred Shares***

In authorizing the payment of approximately \$24.6 million of the dividend arrears on Existing Second Preferred Shares to be made in Series 5 Second Preferred Shares, and in determining the value of each Series 5 Second Preferred Share for such dividend payment purposes, the directors have acted in accordance with the proposed amendments to the share provisions relating to the Existing Second Preferred Shares described below under “Effect of the Special Resolutions — Manner of Payment of Dividends” as though such amendments had already been approved and become effective. On this basis, the directors determined that each Series 5 Second Preferred Share to be issued as part of the Initial Payment had a value for dividend payment purposes of \$25.00. Accordingly, \$25.00 will be added to the stated capital of the Series 5 Second Preferred Shares for each share of such series to be so issued. There can be no assurance, however, that the Series 5 Second Preferred Shares to be so issued will trade at any particular time at their stated capital of \$25.00 per share.

### ***Dividends***

Holders of the Series 5 Second Preferred Shares will be entitled to receive, as and when declared by the directors of the Corporation, fixed cumulative preferential cash dividends at the rate of \$2.625 per share per annum (10.50% per annum) to accrue from the date of issue and to be paid in equal quarterly amounts in each year on the first day of January, April, July and October. For the period from the date of the issuance of the Series 5 Second Preferred Shares as part of the Initial Payment to and including July 1, 1995, the first dividend payment date on these shares, the fixed quarterly dividend payable on the Series 5 Second Preferred Shares will be determined by pro rating the annual dividend rate over the number of days between the date of such issuance and July 1, 1995. Dividends on the Series 5 Second Preferred Shares can be paid only in cash.

### ***Application for Listing of Series 5 Second Preferred Shares***

The TSE and the ME have conditionally approved the listing of the Series 5 Second Preferred Shares proposed to be issued as part of the Initial Payment. The listing is subject to the Corporation fulfilling all of the requirements of such exchanges on or before April 6, 1995, including the distribution of Series 5 Second Preferred Shares to a minimum number of public shareholders. It is anticipated that the Series 5 Second Preferred Shares will not commence trading on the TSE and the ME until approximately three trading days following the date on which they are issued as part of the Initial Payment.

### ***Priority***

The Series 5 Second Preferred Shares will rank equally with all other shares of the same series and with the Second Preferred Shares of every other series, after the Preferred Shares of the Corporation and ahead of the Subordinated Non-Voting Preferred Shares (none of which is outstanding), the Class A subordinate voting shares and the Class B voting shares and any other shares ranking after the Second

Preferred Shares in respect of dividends and the distribution of assets upon the liquidation, dissolution or winding-up or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

### ***Consequences of Non-Payment***

For so long as there are dividend arrears on the Series 5 Second Preferred Shares and any other shares ranking equally with or in priority to them, unless money has been set apart for payment of such dividend arrears, the Corporation will not be permitted, without the prior approval of the holders of each series of the Second Preferred Shares, to:

- (a) pay any dividends on the Class A subordinate voting shares, Class B voting shares or any other shares of the Corporation ranking junior to the Second Preferred Shares;
- (b) redeem, purchase or otherwise retire any Class A subordinate voting shares, Class B voting shares or any other shares of the Corporation ranking junior to or equally with the Second Preferred Shares;
- (c) redeem, purchase or otherwise retire less than all of the Second Preferred Shares; or
- (d) make any payments in respect of sinking funds or retirement funds applicable to any shares of the Corporation ranking junior to the Series 5 Second Preferred Shares.

### ***Redemption***

Subject to applicable law and to the restriction in the articles of the Corporation on the redemption, purchase or retirement of less than all of the Second Preferred Shares while there are dividend arrears on any Second Preferred Shares or any shares ranking equally with or in priority to them (the “Dividend Arrears Restriction”), each Series 5 Second Preferred Share will be redeemable by the Corporation at any time on at least 30 days’ prior notice and payment of an amount equal to \$25.00 plus any accrued and unpaid dividends up to the date fixed for redemption. The redemption price for the Series 5 Second Preferred Shares may be paid, at the option of the Corporation and subject to the prior written approval of any stock exchange on which the Class A subordinate voting shares are then listed, either in cash or by the issuance of Class A subordinate voting shares, or a combination thereof.

In the event that some or all of the redemption price on a Series 5 Second Preferred Share is paid by the issuance of Class A subordinate voting shares, the value of the shares so issued will be determined (for so long as the Class A subordinate voting shares are listed on the TSE and the ME) by the board of directors on the basis of 95% of the combined weighted average of the trading prices per share of Class A subordinate voting shares on each of the TSE and the ME on the 20 most recent trading days ending on the fifth business day prior to the date specified for redemption.

### ***Retraction Privilege***

Subject to applicable law and the Dividend Arrears Restriction, the Series 5 Second Preferred Shares will be retractable at the option of the holders thereof, on 60 days’ prior notice, on each of the sixth, seventh, eighth, ninth and tenth anniversaries of the issuance of Series 5 Second Preferred Shares as part of the Initial Payment, provided that the number of Series 5 Second Preferred Shares that may be retracted on each of the anniversaries of such issuance may not exceed the respective percentages set

forth below of the number of Series 5 Second Preferred Shares that will be outstanding on each such anniversary:

<u>Anniversary of issuance of Series 5 Second Preferred Shares to be issued as part of Initial Payment</u>	<u>Percentage of Series 5 Second Preferred Shares then outstanding that may be retracted on such date</u>
Sixth anniversary .....	10%
Seventh anniversary .....	15%
Eighth anniversary .....	15%
Ninth anniversary .....	20%
Tenth anniversary .....	100%

The Corporation will pay an amount in respect of each Series 5 Second Preferred Share so retracted equal to \$25.00 plus any accrued and unpaid dividends up to the date of retraction. This amount is to be paid in cash unless the Corporation, with the prior written approval of any stock exchange on which the Class A subordinate voting shares are then listed, provides at least 40 days' prior notice of its intention to satisfy some or all of the amount by the issuance of Class A subordinate voting shares.

In the event that some or all of the retraction payment on a Series 5 Second Preferred Share is paid by the issuance of Class A subordinate voting shares, the value of the Class A subordinate voting shares so issued will be determined (for so long as the Class A subordinate voting shares are listed on the TSE and the ME) by the board of directors on the basis of 95% of the combined weighted average of the trading prices per share of Class A subordinate voting shares on each of the TSE and the ME on the 20 most recent trading days ending on the fifth business day prior to the date of retraction.

### **Purchase for Cancellation**

Subject to applicable law and the Dividend Arrears Restriction, the Corporation will be entitled from time to time to purchase for cancellation some or all of the Series 5 Second Preferred Shares (i) through the facilities of a stock exchange on which such shares are listed or by invitation for tenders to all holders of such shares, or (ii) otherwise at a price per share not exceeding the redemption price of such shares plus all accrued and unpaid dividends and costs of purchase. The Corporation will not be under any obligation at any time to purchase any Series 5 Second Preferred Shares.

### **Part IV.1 Tax**

The Series 5 Second Preferred Share provisions will require the Corporation to elect, in the manner and within the time provided under section 191.2 of the *Income Tax Act* (Canada) or any successor or replacement provision of similar effect, to pay tax at a rate such that, and to take all other necessary action under such Act such that, no corporate shareholder of Series 5 Second Preferred Shares will be required to pay tax on dividends received on such shares under section 187.2 of Part IV.1 of such Act or any successor or replacement provision of similar effect.

### **Rights on Liquidation**

In the event of the liquidation, dissolution, winding-up or other distribution of assets of the Corporation among its shareholders, the holders of the Series 5 Second Preferred Shares then outstanding will be entitled to receive the amount paid up thereon together with all accrued and unpaid dividends, whether or not earned or declared, the whole subject to the rights of the Preferred Shares, but ranking before any amount to be paid to holders of the Subordinated Non-Voting Preferred Shares, the Class A subordinate voting shares and the Class B voting shares, and any other shares of the Corporation ranking after the Second Preferred Shares.

## ***Voting***

The holders of the Series 5 Second Preferred Shares as such will not be entitled to attend or vote at meetings of shareholders of the Corporation unless dividends on the Series 5 Second Preferred Shares are in arrears in the aggregate of eight quarterly dividends. Thereafter, so long as any such dividends remain in arrears, the holders of the Series 5 Second Preferred Shares will be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation on the basis of one vote for each Series 5 Second Preferred Share held.

## ***Modification to Terms***

The Corporation will not be permitted to vary the rights, privileges, restrictions and conditions attaching to the Series 5 Second Preferred Shares without the approval of the holders thereof given in writing by the holders of all the outstanding Series 5 Second Preferred Shares or by resolution duly passed and carried by not less than two-thirds of the votes cast at a special meeting of the holders of the Series 5 Second Preferred Shares called for such purpose at which at least two persons are present holding or representing by proxy not less than 25% of the outstanding Series 5 Second Preferred Shares or, if a quorum is not present at such meeting, at an adjourned meeting at which the quorum will consist of the holders of Series 5 Second Preferred Shares represented. Holders of Series 5 Second Preferred Shares will be entitled to one vote in respect of each full \$1.00 paid up on the Series 5 Second Preferred Shares held by them with respect to any matters relating to the amendment of the conditions attaching to the Series 5 Second Preferred Shares as a series.

## **EFFECT OF THE SPECIAL RESOLUTIONS**

The following is a summary of the principal amendments to the series provisions of the Existing Second Preferred Shares which the Corporation will be authorized to make if the Special Resolutions receive the required shareholder approvals. This summary does not purport to be complete and is qualified by reference to the Special Resolutions annexed as Appendices 1 to 4 to this circular. Copies of the current class and series provisions of the Existing Second Preferred Shares may be obtained upon request to the Secretary of the Corporation.

## ***Manner of Payment of Dividends***

Currently, holders of Existing Second Preferred Shares are entitled to receive dividends, as and when declared by the directors, in cash. The Special Resolution relating to each series of Existing Second Preferred Shares will permit the board of directors of the Corporation to declare and pay dividends on such series of Second Preferred Shares, both in respect of dividend arrears and future dividends, in cash or, subject to the prior approval of any stock exchange on which the shares to be issued to satisfy such dividends are then listed, in Series 5 Second Preferred Shares or in Class A subordinate voting shares or in any combination of the foregoing. Any shares of the Corporation issued in payment of a dividend are to be issued as fully paid and non-assessable shares. The Series 4 Special Resolution will not alter the existing share provisions relating to the Series 4 Exchangeable Second Preferred Shares as they apply to that portion of the dividends on such shares which is funded by dividends or distributions paid by Dofasco Inc.

If the Series 5 Second Preferred Shares or Class A subordinate voting shares issued in payment of a dividend are listed on the TSE and the ME, the value of the dividend or portion thereof declared in such shares is to be determined by the board of directors on the basis of the combined weighted average of the trading prices per share on each of the TSE and the ME on the 20 most recent trading days, in the case of any payment of dividends in arrears as at January 16, 1995, ending on the fifteenth business day prior to the dividend payment date and, in the case of the payment of any other dividend on the Existing Second Preferred Shares, immediately prior to the date on which such dividend is declared; or on the basis of

such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine.

If the Series 5 Second Preferred Shares or Class A subordinate voting shares issued in payment of a dividend are listed on any one or more stock exchange or recognized stock trading quotation system, not including both the TSE and the ME, the value of the dividend or portion thereof declared in such shares is to be determined by the board of directors on the basis of the combined weighted average of the trading prices per share on each such exchange or stock trading quotation system on the 20 most recent trading days, in the case of any payment of dividends in arrears as at January 16, 1995, ending on the fifteenth business day prior to the dividend payment date and, in the case of the payment of any other dividend on the Existing Second Preferred Shares, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine.

In any other event, the value of a dividend or portion thereof declared in Series 5 Second Preferred Shares or Class A subordinate voting shares is to be determined by the board of directors of the Corporation by reference to a report or opinion of a national securities dealer.

### ***Amendment to Restrictions on Issuance of Second Preferred Shares***

In order that the Corporation may issue the Series 5 Second Preferred Shares to pay some or all of the dividends on the Existing Second Preferred Shares, the amendments to the articles of the Corporation proposed to be authorized by the Series 1 Special Resolution, the Series 2 Special Resolution and the Series 3 Special Resolution would permit the issuance of additional Second Preferred Shares in payment of a dividend declared on any outstanding Second Preferred Shares, notwithstanding the existence of dividend arrears on any share of that class. It is not proposed to remove or alter in any way any restrictions on the payment of dividends on shares ranking junior to the Second Preferred Shares or the restrictions on the retirement of Second Preferred Shares and shares ranking junior to them that are described above under “Background to the Meetings — Resumption of Dividends — Restrictions on Dividends and Retirement of Shares”.

### ***Revocation of Special Resolutions***

The manner in which the Corporation may effect the changes proposed to be adopted by the Special Resolutions is to file articles of amendment with the Director under the CBCA. Upon receipt of such articles of amendment in the proper form, the Director is required to issue a certificate of amendment. The articles of amendment become effective on the date shown on the certificate.

Each of the Special Resolutions provides that the directors of the Corporation may revoke such Special Resolution at any time before the certificate of amendment to be issued by the Director under the CBCA becomes effective. The intentions of the directors of the Corporation with respect to the exercise of this discretion is discussed below under “Directors’ Discretion to Revoke Special Resolutions”.

## **RECOMMENDATION OF THE BOARD OF DIRECTORS**

The board of directors unanimously recommends that all shareholders vote in favour of the Special Resolutions. In arriving at its recommendation that all shareholders vote in favour of the Special Resolutions, the board of directors considered a number of factors, including the following:

- The amendments to the Existing Second Preferred Share provisions to be authorized by the Special Resolutions will enable the Corporation in early 1995 to satisfy approximately \$33.1 million of the dividend arrears, representing some 75% of the arrears that will exist at such time. Without the amendments authorized by the Special Resolutions, the Corporation will not be in a position in 1995 to satisfy arrears to that extent and would not expect to be in a position to satisfy that portion of such arrears in the foreseeable future.

- If, as a result of the amendments to be authorized by the Special Resolutions, the Corporation obtains the flexibility to pay dividends on the Second Preferred Shares while being able to meet its operational cash requirements, the Corporation should be in a position to fully satisfy all existing arrears by March 31, 1998.
- If the amendments to be authorized by the Special Resolutions are effected, the Corporation should be in a position to reinstate current quarterly dividends on all Existing Second Preferred Shares in April 1995.
- The Corporation's financing alternatives will expand as a result of its beginning to pay the dividend arrears on the Second Preferred Shares, which should be considered to benefit all shareholders of the Corporation.
- Once the dividend arrears on the Second Preferred Shares have been fully satisfied, the restriction on the Corporation's ability to pay dividends on the Class A subordinate voting shares and the Class B voting shares will be terminated, so that the Corporation would have the option to reinstate such payments when and if it becomes appropriate to do so.

## **RECOMMENDATION OF THE DEALER MANAGERS**

The Dealer Managers recommend that all shareholders vote in favour of the Special Resolutions.

## **REQUIRED SHAREHOLDER APPROVALS**

### ***Voting Share Meeting***

In order to be effective, the proposed Special Resolutions must, in addition to the approvals specified below, be passed by a majority of not less than two-thirds of the votes cast by holders of the Class A subordinate voting shares, Class B voting shares and Second Preferred Shares who vote in respect of the Special Resolutions. A quorum at the Voting Share Meeting comprises two individuals present in person and representing in their own right, or by proxy, or as a duly authorized representative of a shareholder which is a body corporate or an association, at least 25% of the votes entitled to be cast at the Voting Share Meeting.

### ***Second Preferred Shares as a Class***

In addition to such approval by the shareholders voting at the Voting Share Meeting, each of the Special Resolutions, in order to be effective, requires the approval of the holders of the Second Preferred Shares voting separately as a class and must be passed by a majority of not less than two-thirds of the votes cast on a poll at the Second Preferred Share Class Meeting at which two individuals are present in person and represent in their own right, or by proxy, or as a duly authorized representative of a shareholder which is a body corporate or an association, at least 25% of the votes attached to Second Preferred Shares outstanding at the date of the Second Preferred Share Class Meeting. Each holder of Second Preferred Shares present in person or so represented by proxy and voting will be entitled to one vote in respect of each full \$1.00 paid up on each Second Preferred Share held by him or her.

If the requisite quorum of holders of Second Preferred Shares is not present within one-half hour after the time fixed for the Second Preferred Share Class Meeting, then the original class meeting is to be adjourned to a date not less than seven days later than the original class meeting, as may be fixed by the chairman of the original class meeting, at which if the Special Resolutions are passed by not less than two-thirds of the votes cast by holders of the Second Preferred Shares on a poll, such Special Resolutions will have been approved by the holders of the Second Preferred Shares voting separately as a class irrespective of whether or not the persons present in person or represented by proxy at the adjourned meeting hold Second Preferred Shares carrying not less than 25% of the votes attached to all Second Preferred Shares then outstanding.

### ***Series Votes***

Since each Special Resolution amends the share provisions of the series of Second Preferred Shares to which it relates, each Special Resolution must be approved by holders of the shares of such series in

the manner provided by such share provisions. Accordingly, for the Special Resolution relating to any series of the Second Preferred Shares to be effective, it must also be passed by a majority of two-thirds of the votes cast on a poll at the Meeting of the holders of the Second Preferred Shares of such series, provided that at least two individuals are present in person and represent in their own right, or by proxy, or as a duly authorized representative of a shareholder which is a body corporate or an association, Second Preferred Shares of such series carrying not less than 25% of the votes attached to all Second Preferred Shares of that series outstanding on the date of the Meeting.

If the requisite quorum of holders of Second Preferred Shares of a series is not present within one-half hour after the time fixed for the Meeting of holders of that series, then the original series meeting is to be adjourned to a date not less than seven days later than the original series meeting, as may be fixed by the chairman of the original series meeting, at which if the Special Resolution relating to that series is passed by not less than two-thirds of the votes cast by holders of the Second Preferred Shares of that series on a poll, such Special Resolution will have been approved by the holders of that series of Second Preferred Shares irrespective of whether or not the persons present in person or represented by proxy at the adjourned meeting hold Second Preferred Shares of that series carrying not less than 25% of the votes attached to all Second Preferred Shares of that series then outstanding.

On every poll taken at the Series 1 Meeting, the Series 2 Meeting, the Series 3 Meeting or the Series 4 Meeting, each holder of Second Preferred Shares of the appropriate series present in person or represented by proxy and voting is entitled to one vote in respect of each full \$1.00 paid up on each Second Preferred Share of that series held by him or her.

## **RIGHTS OF DISSENTING HOLDERS OF SECOND PREFERRED SHARES**

Each holder of Second Preferred Shares has the right to dissent under section 190 of the CBCA if he or she is opposed to the proposed amendments to the articles of the Corporation set forth in the Special Resolutions annexed as Appendices 1 to 4 to this circular. A holder of Second Preferred Shares may dissent only with respect to all of the Second Preferred Shares held by him or her on behalf of any one beneficial owner and registered in the shareholder's name. A holder of Second Preferred Shares is not entitled to object with respect to any shares beneficially owned by one owner if he or she votes any of such shares in favour of the Special Resolutions. A dissenting holder of Second Preferred Shares is not entitled to receive payment in respect of any shares if the amendments to the articles of the Corporation proposed to be approved by the Special Resolutions do not become effective.

In order to dissent, a holder of Second Preferred Shares is required to send to the Corporation at Place Mercantile, 770, rue Sherbrooke ouest, Montréal (Québec), H3A 1G1, Attention: General Counsel and Secretary, at or before the meetings a written objection (an "Objection Notice") to the Special Resolutions. A vote against the Special Resolutions, an abstention or the execution or exercise of a proxy to vote against the Special Resolutions does not constitute such a written objection, but a holder of Second Preferred Shares need not vote his or her shares against the Special Resolutions in order to object. Within ten days after the approval of the Special Resolutions by the shareholders of the Corporation, the Corporation will send to each holder of Second Preferred Shares who has filed an Objection Notice (a "dissenting shareholder") a notice stating that the Special Resolutions have been adopted (the "Company Notice"). A Company Notice is not required to be sent to any dissenting shareholder who voted for the Special Resolutions or who has withdrawn his or her Objection Notice.

Within 20 days after receipt of the Company Notice or, if no Company Notice is received by the dissenting shareholder, within 20 days after the shareholder learns that the Special Resolutions have been adopted, the dissenting shareholder is required to send a written notice to the Corporation containing the shareholder's name and address, the number of Second Preferred Shares held by him or her in respect of which he or she dissents and a demand for payment of the fair value of such shares (the "Demand for Payment"). Within 30 days thereafter, the dissenting shareholder must send the share certificates

representing such Second Preferred Shares to the Corporation or to its transfer agent, The R-M Trust Company at its principal offices in Halifax, Montréal, Toronto, Calgary or Vancouver. Such share certificates will be endorsed by the Corporation or its transfer agent with a notice that the holder is a dissenting shareholder and will be returned to the dissenting shareholder. A dissenting shareholder who fails to forward his or her Objection Notice, Demand for Payment or share certificates within the times required loses any right to make a claim for payment of the fair value of his or her Second Preferred Shares.

Not later than seven days after the later of the date on which a certificate and articles of amendment are issued giving effect to the matters approved by the Special Resolutions (the “Effective Date”) and the date the Corporation receives each Demand for Payment, the Corporation will send to each dissenting shareholder a written offer (the “Offer to Purchase”) to pay for the Second Preferred Shares in an amount considered by the directors of the Corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Offer to Purchase shall be on the same terms.

Dissenting shareholders who accept the Offer to Purchase will be paid within ten days of acceptance. The Offer to Purchase lapses if the Corporation does not receive an acceptance within 30 days after the date on which the Offer to Purchase was made.

If the Corporation fails to make the Offer to Purchase, or the dissenting shareholder fails to accept the Offer to Purchase, the Corporation may apply to a court to fix a fair value for the shares within 50 days after the Effective Date or within such further period as the court may allow. If the Corporation fails to make such an application, a dissenting shareholder has the right to so apply within a further period of 20 days or within such further period as the court may allow. The applications referred to above shall be made to a court having jurisdiction in the place where the Corporation has its registered office or in the province where the dissenting shareholder resides if the Corporation carries on business in that province. All dissenting shareholders whose shares have not been purchased by the Corporation will be joined as parties to the application and will be bound by the decision of the court. The court may determine whether any person is a dissenting shareholder who should be joined as a party and the court will fix a fair value for the shares of all dissenting shareholders.

A dissenting shareholder who complies with each of the steps required to dissent effectively is deemed to have transferred his shares to the Corporation for cancellation on the Effective Date and is entitled to be paid the fair value of the shares in respect of which he or she dissents determined as of the close of business on the day before the Special Resolutions are adopted.

If the directors of the Corporation do not revoke the Special Resolutions, a dissenting shareholder shall, as at and from the date he or she sends the Demand for Payment, cease to have any rights as a holder of Second Preferred Shares other than the right to be paid the fair value of his or her Second Preferred Shares, provided that a dissenting shareholder who is ultimately not entitled to be paid the fair value of his or her shares for any reason, including as a result of the withdrawal of his or her Demand for Payment before the Corporation sends an Offer to Purchase described above, or the failure of the dissenting shareholder to comply with each of the steps required to dissent effectively, shall be reinstated as a holder of Second Preferred Shares.

The above is only a summary of the provisions of section 190 of the CBCA. Holders of Second Preferred Shares considering exercising such right of dissent should specifically refer to section 190 of the CBCA. As failure to comply strictly with the provisions of the statute may prejudice the shareholder’s right of dissent, it is suggested that any holder of Second Preferred Shares seeking to exercise such right obtain his or her own legal advice as to the manner of exercising such right and the implications thereof for him or her.

## **DIRECTORS' DISCRETION TO REVOKE SPECIAL RESOLUTIONS**

### ***Reservation of Discretion***

Each of the Special Resolutions provides that the directors of the Corporation may revoke such Special Resolution at any time before the certificate of amendment to be issued by the Director under the CBCA becomes effective. The directors of the Corporation intend to retain the flexibility to determine whether to revoke any or all of the Special Resolutions for any reason, including by reference to the number of Second Preferred Shares in respect of which the holders have elected to exercise dissent rights.

### ***Current Intentions as to Revocation of Special Resolutions***

**The directors intend, notwithstanding that they are preserving their discretion in this regard, to revoke all of the Special Resolutions and not to file articles of amendment effecting the changes outlined in any Special Resolution unless all of the Special Resolutions have been approved by the necessary majorities and the number of Second Preferred Shares in respect of which shareholders dissent is, in the opinion of the board of directors, *de minimis*.**

## **INCOME TAX CONSIDERATIONS**

In the opinion of Davies, Ward & Beck and Byers Casgrain, a general partnership, the following is a summary of the principal income tax considerations under the *Income Tax Act* (Canada) (the "Act") generally applicable to a shareholder of the Corporation. In the opinion of Byers Casgrain, a general partnership, the commentary appearing below under "Canadian Resident Holders" is a summary of the principal income tax considerations under the *Taxation Act* (Québec) (the "Québec Act") generally applicable to a shareholder of the Corporation, except that the taxes under Parts IV, IV.1 and VI.1 of the Act have no equivalent under the Québec Act. This summary is based on the current provisions of the Act and the Québec Act, the regulations thereunder, all specific proposals to amend the Act, the Québec Act and the regulations publicly announced prior to the date hereof and on such firm's or firms' understanding of the current administrative practices of Revenue Canada or the Ministère du Revenu du Québec. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, nor does it take into account foreign or provincial income tax legislation or considerations, other than considerations under the Québec Act.

This summary relies on an advance income tax ruling received by the Corporation from Revenue Canada that the proposed amendments to the Corporation's articles to permit the payment of stock dividends on the Existing Second Preferred Shares will not cause the Existing Second Preferred Shares to become taxable preferred shares for purposes of the Act, and on an earlier advance income tax ruling that the introduction of the Corporation's dividend reinvestment program in 1990 would not cause such shares to become taxable preferred shares for purposes of the Act. This summary also assumes that no amendments, agreements or other transactions or events not described in this Management Proxy Circular have occurred or have been made that are relevant to the Second Preferred Shares, that any Series 5 Second Preferred Shares issued by the Corporation will have the attributes set forth in Appendix 5, and that such attributes will not be varied or modified.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Therefore, shareholders should consult their tax advisors with respect to their particular circumstances.**

### ***Canadian Resident Holders***

The following commentary is generally applicable to a shareholder of the Corporation on the date of this Management Proxy Circular who deals at arm's length with the Corporation, who is resident in Canada (and for the purposes of the application of the Québec Act, who is resident in the Province of Québec or that is a corporation having an establishment in the Province of Québec), and who holds all

shares of the Corporation as capital property and will hold any shares of the Corporation issued to the holder in payment of any dividend on the Existing Second Preferred Shares as capital property. (Any such dividend is referred to in this summary as a “stock dividend”.) The shares of the Corporation will generally be considered capital property to a shareholder unless the shareholder holds such shares in the course of carrying on a business, or the shareholder has acquired them in a transaction or transactions considered to be an adventure in the nature of trade. Certain shareholders whose shares might not otherwise qualify as capital property may be entitled to obtain such qualification by making the election provided by subsection 39(4) of the Act (or section 250.1 of the Québec Act, where applicable). Under draft legislation applicable to “mark-to-market property” which was released by the Minister of Finance (Canada) on October 31, 1994, financial institutions may be deemed not to hold shares of the Corporation as capital property.

### *Amendment of Articles*

The passing of the Special Resolutions and the resulting amendments to the articles of the Corporation will not result in a disposition of the Existing Second Preferred Shares or any other shares, nor will they cause such shares to become taxable preferred shares for purposes of the Act.

### *Dividends on Existing Second Preferred Shares*

To the extent that a dividend on the Existing Second Preferred Shares is paid by means of a stock dividend, the amount of the stock dividend for purposes of the Act and the Québec Act generally will be the amount by which the paid-up capital of the Corporation increases by virtue of the issuance of the shares comprising the stock dividend. Such increase in paid-up capital will be equal to the corresponding increase in the stated capital of the shares of that class or series for purposes of the CBCA. The Series 5 Second Preferred Shares issued as part of the Initial Payment will have a stated capital of \$25.00 for each share issued, as described above under “Series 5 Second Preferred Shares — Value Ascribed to Series 5 Second Preferred Shares”. References below to dividends on the Existing Second Preferred Shares include any stock dividends thereon and any cash paid in lieu of fractional interests in shares.

Dividends received on the Existing Second Preferred Shares by an individual will be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Dividends on the Existing Second Preferred Shares received by a corporation will be included in computing its income and will generally be deductible in computing its taxable income. The Series 4 Exchangeable Second Preferred Shares are term preferred shares as defined in the Act, and the Series 1, Series 2 and Series 3 Second Preferred Shares may be term preferred shares as so defined by reason of the obligation of the Corporation to make all reasonable efforts to purchase in the open market each quarter 1% of the total number of shares of the series outstanding on December 31, 1990. Accordingly, a “specified financial institution” (as defined in the Act) will not be entitled to deduct a dividend received on any series of the Existing Second Preferred Shares in computing its taxable income unless: (a) the institution did not acquire the shares of that series in the ordinary course of the business carried on by it; or (b) at the time the dividend is received, the shares of such series are listed on a prescribed stock exchange in Canada and the institution, either alone or together with persons with whom it does not deal at arm’s length, does not receive (and is not deemed to receive) in the aggregate dividends in respect of more than 10% of the series outstanding at such time. However, if at the time the dividend is received, the specified financial institution also is a “restricted financial institution” (as defined in the Act) that acquired the shares in the ordinary course of the business carried on by it and it or a restricted financial institution with which it does not deal at arm’s length receives some or all of the dividend in respect of one or more shares of the series that were acquired after December 15, 1987, it will only be able to deduct such dividend in computing its taxable income if at that time the shares of such series are listed on a prescribed stock exchange in Canada, and the institution, either alone or together with restricted

financial institutions with which it does not deal at arm's length, does not receive (and is not deemed to receive) in the aggregate dividends in respect of more than 5% of the series outstanding at such time.

A private corporation, as defined in the Act, or any other corporation controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than a trust), will generally be liable to pay a refundable tax under Part IV of the Act of 33-1/3% of dividends received on the Existing Second Preferred Shares, to the extent such dividends are deductible in computing its taxable income.

The Existing Second Preferred Shares are taxable RFI shares as defined in the Act. Accordingly, a restricted financial institution receiving a dividend on one of the series of Existing Second Preferred Shares that is entitled to deduct the amount of the dividend in computing its taxable income will be subject to a tax under Part IV.1 of the Act of 10% of the amount of such dividend unless at the time the dividend is received the shares of such series are listed on a prescribed stock exchange in Canada and the institution either alone or together with any restricted financial institutions with which it does not deal at arm's length does not receive (and is not deemed to receive) in the aggregate dividends in respect of more than a specified percentage of the shares of that series that were issued and outstanding at the last time any such corporation acquired any shares of that series. The percentage is 10% where no dividend is received (or deemed to be received) by any such corporation in respect of a share acquired after December 15, 1987, and 5% in any other case.

The amount of a stock dividend on the Existing Second Preferred Shares generally will be the amount by which the paid-up capital of the Corporation increases by virtue of the related issuance of shares. However, where the amount of a stock dividend on the Existing Second Preferred Shares is not deductible in computing the taxable income of the corporation receiving the dividend because of the rules applicable to term preferred shares, or is subject to tax under Part IV.1 of the Act, the amount of such dividend instead will be deemed to be the fair market value of the shares paid as the stock dividend at the time of their issuance where such fair market value exceeds such increase in the paid-up capital of the Corporation. The cost for purposes of the Act and the Québec Act of any shares of the Corporation issued to a holder of Existing Second Preferred Shares as a stock dividend on the Existing Second Preferred Shares will be the amount of such dividend.

#### *Dividends on Series 5 Second Preferred Shares*

Dividends (including deemed dividends) received on Series 5 Second Preferred Shares by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

The Series 5 Second Preferred Shares will be taxable preferred shares as defined in the Act, and may, in certain circumstances, be short-term preferred shares. The terms of the Series 5 Second Preferred Shares will require the Corporation to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends received (or deemed to be received) on the Series 5 Second Preferred Shares.

The Series 5 Second Preferred Shares will not be taxable RFI shares.

Dividends on the Series 5 Second Preferred Shares received by a corporation will be included in computing its income and will generally be deductible in computing its taxable income. The Series 5 Second Preferred Shares will be term preferred shares as defined in the Act. Accordingly, a specified financial institution will not be entitled to deduct the dividends received thereon in computing its taxable income unless: (a) the institution did not acquire such shares in the ordinary course of the business carried on by it; or (b) at the time the dividend is received, the Series 5 Second Preferred Shares are listed on a prescribed stock exchange in Canada and the institution, either alone or together with persons with whom it does not deal at arm's length, does not receive (and is not deemed to receive) in the

aggregate dividends in respect of more than 10% of the Series 5 Second Preferred Shares outstanding at such time.

A private corporation, as defined in the Act, or any other corporation controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than a trust), will generally be liable to pay a refundable tax under Part IV of the Act of 33⅓% of dividends received on the Series 5 Second Preferred Shares, to the extent such dividends are deductible in computing its taxable income.

### *Disposition of Series 5 Second Preferred Shares*

If the Corporation redeems or otherwise acquires Series 5 Second Preferred Shares, other than by purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend if the amount paid by the Corporation exceeds the paid-up capital of such shares at such time. The amount of any such deemed dividend will be subject to the normal tax treatment accorded to dividends described above under “Dividends on Series 5 Second Preferred Shares”. On the redemption or other such acquisition by the Corporation of Series 5 Second Preferred Shares, the holder of such shares will be considered to have disposed of such shares, but the amount of any such deemed dividend will be excluded in computing the holder’s proceeds of disposition for purposes of computing any capital gain or capital loss arising on the disposition. In the case of a shareholder that is a corporation, it is possible that in some circumstances the amount of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

To the extent that the redemption is effected in whole or in part by the issuance and delivery of Class A subordinate voting shares, the amount paid for purposes of determining the deemed dividend, if any, will equal the amount by which the aggregate paid-up capital of the Class A subordinate voting shares of the Corporation has increased by virtue of the issuance of such Class A subordinate voting shares, and the amount paid for purposes of determining the proceeds of disposition of the Series 5 Second Preferred Shares will be equal to the fair market value at such time of the Class A subordinate voting shares received, in either case plus any cash paid in lieu of fractional Class A subordinate voting shares. The cost to a holder of the Class A subordinate voting shares received will be equal to the fair market value at such time of such shares.

A holder who disposes of or is deemed to dispose of Series 5 Second Preferred Shares (either on redemption of the shares or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares. Analogous rules apply to a partnership or trust of which a corporation is a member or a beneficiary.

### *Dissenting Shareholders*

A dissenting holder of Existing Second Preferred Shares who is paid the fair value of such holder’s shares will be deemed to receive a dividend, and will realize a capital gain or a capital loss, computed in the manner described in the first and third paragraph of the commentary above under “Disposition of Series 5 Second Preferred Shares”, except to the extent that any amount received by such holder is considered to be interest. Dissenting shareholders should consult their own tax advisors respecting when they will be considered to dispose of their shares, and as to whether any amount received by them will be interest for purposes of the Act and the Québec Act. Additional income tax considerations may be relevant to dissenting shareholders who fail to perfect or withdraw their claims pursuant to the right of dissent.

## ***Non-Resident Holders***

The following commentary is generally applicable to shareholders of the Corporation on the date of this Management Proxy Circular who, for purposes of the Act, have not been and will not be resident in Canada at any time while they have held Existing Second Preferred Shares, to whom such shares are capital property and not taxable Canadian property and to whom any Series 5 Second Preferred Shares issued to them as stock dividends on the Existing Second Preferred Shares will be capital property and will not be taxable Canadian property. Generally, Existing Second Preferred Shares and Series 5 Second Preferred Shares would not be taxable Canadian property provided that the holder does not use or hold, and is not deemed to use or hold, such shares in connection with the carrying on of a business in Canada and the holder, persons with whom such holder does not deal at arm's length, or the holder and such persons, has not owned (or had under option) 25% or more of the issued shares of any class or series of the capital stock of the Corporation at any time within five years preceding the date in question.

### ***Dispositions***

The passing of the Special Resolutions and the resulting amendments to the articles of the Corporation will not result in a disposition of the Existing Second Preferred Shares or any other shares. A holder of Series 5 Second Preferred Shares is not subject to tax under the Act or the Québec Act in respect of a capital gain realized upon a redemption or other disposition of a Series 5 Second Preferred Share.

### ***Dividends***

Dividends paid on the Existing Second Preferred Shares and any Series 5 Second Preferred Shares are subject to non-resident withholding tax under the Act at the rate of 25%, although such rate may be reduced under the provisions of any applicable income tax treaty. For example, under the *Canada-United States Income Tax Convention*, the rate is generally reduced to 15%. Where a dividend on an Existing Second Preferred Share includes a stock dividend, the amount of the stock dividend for these purposes will be determined as the amount by which the paid-up capital of the Corporation increases by virtue of the related issuance of shares.

A holder of Series 5 Second Preferred Shares whose shares are redeemed or purchased for cancellation may be deemed to receive a dividend as described above under "Canadian Resident Holders — Disposition of Series 5 Second Preferred Shares". Any such deemed dividend will be subject to withholding tax as described in the preceding paragraph.

The amount of a stock dividend otherwise payable to a non-resident holder of Existing Second Preferred Shares will be reduced to that number of whole shares as will permit the Corporation to make a cash remittance to the Receiver General for Canada on behalf of the non-resident equal to the Canadian withholding tax payable by the non-resident. The amount of the dividend that is subject to Canadian withholding tax will include the amount of such cash remittance in addition to the amount of the stock dividend and the amount of any cash dividend paid by the Corporation in lieu of the issuance of a fractional share.

### ***Dissenting Shareholders***

A holder of Existing Second Preferred Shares who is paid the fair value of such holder's shares pursuant to the exercise of dissent rights will be deemed to receive a dividend, and may be considered to receive interest, as discussed above under "Canadian Resident Holders — Dissenting Shareholders". The amount of any such deemed dividend will be subject to withholding tax as described above in this commentary. Any interest considered to be paid to such holder will be subject to non-resident withholding tax under the Act at the rate of 25%, although such rate may be reduced under the provisions of an applicable income tax treaty.

Dissenting shareholders should consult their own tax advisors respecting the time at which any such deemed dividend or interest would be considered to be paid to them. Additional income tax considerations may be relevant to dissenting shareholders who fail to perfect or withdraw their claims pursuant to their right of dissent.

## **TERMINATION OF DIVIDEND POLICY AND PLANS**

In February 1990, the Corporation implemented a dividend reinvestment plan for holders of Preferred Shares and Second Preferred Shares, and a cash dividend plan and stock dividend plan for holders of the Class A subordinate voting shares and Class B voting shares (collectively “Plans”). At such time the Corporation also instituted a dividend policy relating to the Class A subordinate voting shares and the Class B voting shares (the “Policy”). The Corporation is entitled to amend, suspend or terminate the Plans at any time by providing written notice of any action affecting the Plan to each participant. The Policy may be amended, suspended or terminated by the Corporation at any time by written notice to each holder of Class A subordinate voting shares and Class B voting shares. The Corporation has determined that the Policy and the Plans are no longer in the best interests of the Corporation because of, among other reasons, the potential dilution to the Class A subordinate voting shares. The Corporation anticipates terminating the Policy and the Plans in February 1995 by notice to holders of Class A subordinate voting shares, Class B voting shares and Second Preferred Shares, and to holders of Preferred Shares who are participants in any Plan. Shareholders will not be able to participate in any of the Plans with respect to dividends paid after the date of mailing of such notice.

## **CERTAIN SECURITIES LAW CONSIDERATIONS**

The Series 5 Second Preferred Shares to be issued as part of the Initial Payment and any other Series 5 Second Preferred Shares or Class A subordinate voting shares to be issued in payment of future dividends on the Existing Second Preferred Shares will be issued in reliance on available exemptions from the prospectus and registration requirements of Canadian securities laws or pursuant to discretionary orders issued by securities regulatory authorities in jurisdictions where such exemptions are not available. Articles of amendment will not be filed in order to give effect to the changes contemplated by the Special Resolutions unless and until all necessary discretionary orders have been obtained on a basis that will permit such shares to be distributed and resold in Canada without restriction other than, generally, restrictions governing trades by insiders and control persons, provided that no unusual effort is made to prepare the market or to create a demand for such securities and no extraordinary commission or consideration is paid in respect of any such sale.

No action has been or will be taken in any jurisdiction outside Canada that would permit a public offering in such jurisdiction of the Series 5 Second Preferred Shares or Class A subordinate voting shares issued in full or partial payment of a dividend, or the distribution of a prospectus or other offering material, where action for that purpose would be required. This circular does not constitute, and may not be used for the purpose of, an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Series 5 Second Preferred Shares and Class A subordinate voting shares issued in full or partial payment of a dividend may not be resold in any jurisdiction in any manner that would result in the characterization under the laws of such jurisdiction of any of the transactions contemplated by this circular as a public offering.

The issuance of Series 5 Second Preferred Shares or Class A subordinate voting shares in full or partial payment of any dividend is subject to certain regulatory approvals in addition to those described above. The Corporation makes no representations about the possibility of changes to securities laws in any jurisdiction after the date of this circular or their impact on the ability of any person to acquire, sell or resell any such shares.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides directors' and officers' liability insurance with a policy limit of US\$35,000,000 subject to a maximum deductible of US\$250,000 per loss. Under this insurance coverage, the Corporation is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers. Protection is provided to directors and officers for acts, errors or omissions done or committed during the course of their duties as such. Excluded from coverage under the policy are illegal acts and those acts which result in personal profit. The amount of premium charged to income in 1993 in connection with such insurance is US\$162,000.

## FINANCIAL ASSISTANCE

As at November 30, 1994, the aggregate amount of indebtedness owed to the Corporation by any person in connection with the purchase of securities issued or to be issued by the Corporation was \$5,246,472. The Corporation has not, since January 1, 1993, provided any financial assistance to any shareholder of the Corporation or of any of the Corporation's affiliates who is not also a director, officer or employee thereof, or to an associate of any such shareholder.

The following table sets forth the particulars of all financial assistance given by the Corporation since January 1, 1993 to any person in connection with a purchase of shares issued or to be issued by the Corporation.

Table of Financial Assistance

<u>Name and Principal Position of Recipient</u>	<u>Nature of Corporation's Involvement</u>	<u>Amount Outstanding as at November 30, 1994, also being the Largest Amount Outstanding Since January 1, 1993 (\$)</u>	<u>Financially Assisted Securities Purchases Since January 1, 1993 (#)</u>	<u>Security for Indebtedness</u>
Paul Ivanier (1) President and Chief Executive Officer	Corporation as lender	2,623,236	nil	none
Sydney Ivanier (1) Senior Vice-President	Corporation as lender	2,623,236	nil	none

(1) Loan made in connection with the purchase of Class B voting shares of the Corporation; repayable by November 30, 1997; interest accrues at the prime lending rate of the Toronto-Dominion Bank.

## OTHER BUSINESS

Unless otherwise indicated, the information herein contained is given as of December 15, 1994, and management knows of no business to be brought before the Meetings other than the matters referred to in the notice of the Meetings. If any business which is not known should properly be brought before the Meetings, shares will be voted on such business in accordance with the best judgment of the person voting them.

## OTHER CORPORATE INFORMATION

Additional information concerning, among other things, directors' and officers' indebtedness and compensation paid to the directors and executive officers of the Corporation during the 1993 fiscal year, is contained in the management proxy circular mailed to shareholders in connection with the annual meeting of shareholders of the Corporation held on May 26, 1994.

The Corporation will provide to any person or company, upon request to its Secretary, a copy of:

- (i) its management proxy circular for its annual meeting of shareholders held on May 26, 1994;
- (ii) its latest annual information form, together with one copy of any document, or pertinent pages of any document, incorporated therein by reference; and
- (iii) comparative financial statements for the year ended December 31, 1993, together with the report of its auditors thereon, contained in its annual report and any interim financial statements filed subsequent thereto.

## APPROVAL OF CIRCULAR

The contents and the sending of this Management Proxy Circular have been approved by the directors of the Corporation.

Dated this 15th day of December, 1994.

A handwritten signature in black ink, appearing to read 'GUY-PAUL MASSICOTTE', with a stylized, flowing script.

GUY-PAUL MASSICOTTE  
General Counsel and Secretary

## Appendix 1

### **Special Resolution to Change the Rights, Privileges, Restrictions and Conditions Attaching to the \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 1**

WHEREAS the authorized capital of Ivaco Inc. (the "Corporation") includes an unlimited number of Second Preferred Shares of which 2,000,000 have been designated as \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 1 (the "Series 1 Second Preferred Shares");

AND WHEREAS in addition to the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class, the Series 1 Second Preferred Shares are subject to and carry the rights, privileges, restrictions and conditions set out in Schedule "A" annexed to and forming part of the articles of amendment of the Corporation dated May 31, 1983;

AND WHEREAS it is considered desirable in the interest of the holders of the Series 1 Second Preferred Shares to amend the rights, privileges, restrictions and conditions attaching thereto as hereinafter provided;

NOW THEREFORE BE IT RESOLVED THAT:

1. the articles of the Corporation be amended to change the rights, privileges, restrictions and conditions attaching to the Series 1 Second Preferred Shares, as set out in Schedule "A" to the articles of amendment of the Corporation dated May 31, 1983, as follows:

- (a) by deleting the word "cash" and the phrase "in lawful money of Canada," from the first sentence of clause (a) of Schedule "A";
- (b) by adding the following clause (aa) immediately after clause (a) of Schedule "A":

**"(aa) Manner of Payment**

In declaring the dividends provided for in clause (a), the board of directors may at any time and from time to time provide for the payment, in whole or in part, of such dividends in cash or in \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 of the Corporation ("Series 5 Second Preferred Shares") or in Class A Shares (as hereinafter defined) or in any combination of the foregoing, subject to the prior written approval of any stock exchange on which the class or series of shares to be issued to satisfy all or part of such dividends are then listed. Any shares of the Corporation issued in payment of a dividend shall be issued as fully paid and non-assessable shares.

The Corporation shall pay cash in satisfaction of any fractional interests in shares of any class or series of the Corporation that may result from the declaration of any dividend payable in shares.

In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on The Toronto Stock Exchange (the "TSE") and The Montreal Exchange (the "ME"), the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each of the TSE and the ME on the 20 most recent trading days, in the case of any payment of dividends that are in arrears as at January 16, 1995, ending on the fifteenth business

day prior to the date on which such dividend payment is made, and, in the case of the payment of any other dividend, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on any one or more stock exchange or recognized stock trading quotation system, not including both the TSE and the ME, the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each such exchange or stock trading quotation system on the 20 most recent trading days, in the case of any payment of dividends that are in arrears as at January 16, 1995, ending on the fifteenth business day prior to the date on which such dividend payment is made, and, in the case of the payment of any other dividend, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In any other event, the money value of a dividend or part thereof declared in shares of any class or series shall be determined by the board of directors of the Corporation by reference to a report or opinion of a securities adviser or dealer registered as such or in any like capacity in each of the provinces of Canada and selected by the board of directors for such purpose.

In the event that the board of directors provides for the payment in shares of all or part of dividends that are in arrears as at January 16, 1995, and, at the time of the declaration of such dividends, the shares of any class or series to be issued to satisfy all or part of such dividends are listed on any stock exchange or recognized stock trading quotation system, the payment date shall be set at least 35 trading days after the date on which the declaration of such dividends is publicly announced by the Corporation.

The issuance by the Corporation of fully paid and non-assessable shares in payment of all or part of a dividend on the Series 1 Second Preferred Shares shall satisfy the dividends payable on the Series 1 Second Preferred Shares in an amount equal to the money value of the shares so issued, as determined as aforesaid by the board of directors. Where any tax required to be withheld by the Corporation from a payment by it of dividends on Series 1 Second Preferred Shares held or owned by a non-resident of Canada exceeds the difference between the amount of the dividend and the amount thereof that would otherwise be satisfied through the issuance by the Corporation of shares, the number of shares to be so issued by the Corporation shall be reduced, and the amount, if any, of the dividend that is to be satisfied by the delivery of a cheque shall be increased, as necessary so that the full amount of such tax may be withheld by the Corporation from the payment of that part of the dividend which would otherwise be satisfied through the delivery of a cheque of the Corporation.

All amounts expressed herein in terms of money refer to the lawful currency of Canada.”; and

(c) by deleting clause (1) from Schedule “A” and substituting the following therefor:

“(1) **Additional Second Preferred Shares**

No additional Second Preferred Shares may be issued if the Corporation is in arrears of any dividends on any Second Preferred Shares, except that the Corporation may at any time or from time to time issue additional Second Preferred Shares in payment of a dividend declared on any outstanding Second Preferred Shares, irrespective of whether or not the Corporation is in arrears of any dividends on any Second Preferred Shares.”; and

2. any director and/or officer of the Corporation be and he or she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or desirable to give effect to this resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the *Canada Business Corporations Act*), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination. Notwithstanding the foregoing, the directors of the Corporation may, without further approval of the holders of shares of any class or series of the Corporation, revoke this resolution at any time before the certificate of amendment to be issued by such Director upon receipt of such articles of amendment becomes effective.

## Appendix 2

### **Special Resolution to Change the Rights, Privileges, Restrictions and Conditions Attaching to the \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 2**

WHEREAS the authorized capital of Ivaco Inc. (the "Corporation") includes an unlimited number of Second Preferred Shares of which 2,000,000 have been designated as \$2.00 Cumulative Redeemable Convertible Second Preferred Shares, Series 2 (the "Series 2 Second Preferred Shares");

AND WHEREAS in addition to the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class, the Series 2 Second Preferred Shares are subject to and carry the rights, privileges, restrictions and conditions set out in Schedule "A" annexed to and forming part of the articles of amendment of the Corporation dated November 23, 1983;

AND WHEREAS it is considered desirable in the interest of the holders of the Series 2 Second Preferred Shares to amend the rights, privileges, restrictions and conditions attaching thereto as hereinafter provided;

NOW THEREFORE BE IT RESOLVED THAT:

1. the articles of the Corporation be amended to change the rights, privileges, restrictions and conditions attaching to the Series 2 Second Preferred Shares, as set out in Schedule "A" to the articles of amendment of the Corporation dated November 23, 1983, as follows:

- (a) by deleting the word "cash" and the phrase "in lawful money of Canada," from the first sentence of clause (a) of Schedule "A";
- (b) by adding the following clause (aa) immediately after clause (a) of Schedule "A":

**"(aa) Manner of Payment**

In declaring the dividends provided for in clause (a), the board of directors may at any time and from time to time provide for the payment, in whole or in part, of such dividends in cash or in \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 of the Corporation ("Series 5 Second Preferred Shares") or in Class A Shares (as hereinafter defined) or in any combination of the foregoing, subject to the prior written approval of any stock exchange on which the class or series of shares to be issued to satisfy all or part of such dividends are then listed. Any shares of the Corporation issued in payment of a dividend shall be issued as fully paid and non-assessable shares.

The Corporation shall pay cash in satisfaction of any fractional interests in shares of any class or series of the Corporation that may result from the declaration of any dividend payable in shares.

In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on The Toronto Stock Exchange (the "TSE") and The Montreal Exchange (the "ME"), the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each of the TSE and the ME on the 20 most recent trading days, in the case of any payment of dividends that are in arrears as at January 16, 1995, ending on the fifteenth business

day prior to the date on which such dividend payment is made, and, in the case of the payment of any other dividend, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on any one or more stock exchange or recognized stock quotation system, not including both the TSE and the ME, the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each such exchange or stock trading quotation system on the 20 most recent trading days, in the case of any payment of dividends that are in arrears as at January 16, 1995, ending on the fifteenth business day prior to the date on which such dividend payment is made, and, in the case of the payment of any other dividend, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In any other event, the money value of a dividend or part thereof declared in shares of any class or series shall be determined by the board of directors of the Corporation by reference to a report or opinion of a securities adviser or dealer registered as such or in any like capacity in each of the provinces of Canada and selected by the board of directors for such purpose.

In the event that the board of directors provides for the payment in shares of all or part of dividends that are in arrears as at January 16, 1995, and, at the time of the declaration of such dividends, the shares of any class or series to be issued to satisfy all or part of such dividends are listed on any stock exchange or recognized stock trading quotation system, the payment date shall be set at least 35 trading days after the date on which the declaration of such dividends is publicly announced by the Corporation.

The issuance by the Corporation of fully paid and non-assessable shares in payment of all or part of a dividend on the Series 2 Second Preferred Shares shall satisfy the dividends payable on the Series 2 Second Preferred Shares in an amount equal to the money value of the shares so issued, as determined as aforesaid by the board of directors. Where any tax required to be withheld by the Corporation from a payment by it of dividends on Series 2 Second Preferred Shares held or owned by a non-resident of Canada exceeds the difference between the amount of the dividend and the amount thereof that would otherwise be satisfied through the issuance by the Corporation of shares, the number of shares to be so issued by the Corporation shall be reduced, and the amount, if any, of the dividend that is to be satisfied by the delivery of a cheque shall be increased, as necessary so that the full amount of such tax may be withheld by the Corporation from the payment of that part of the dividend which would otherwise be satisfied through the delivery of a cheque of the Corporation.

All amounts expressed herein in terms of money refer to the lawful currency of Canada.”; and

(c) by deleting clause (1) from Schedule “A” and substituting the following therefor:

“(1) **Additional Second Preferred Shares**

No additional Second Preferred Shares may be issued if the Corporation is in arrears of any dividends on any Second Preferred Shares, except that the Corporation may at any time or from time to time issue additional Second Preferred Shares in payment of a dividend declared on any outstanding Second Preferred Shares, irrespective of whether or not the Corporation is in arrears of any dividends on any Second Preferred Shares.”; and

2. any director and/or officer of the Corporation be and he or she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or desirable to give effect to this resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the *Canada Business Corporations Act*), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination. Notwithstanding the foregoing, the directors of the Corporation may, without further approval of the holders of shares of any class or series of the Corporation, revoke this resolution at any time before the certificate of amendment to be issued by such Director upon receipt of such articles of amendment becomes effective.

## Appendix 3

### **Special Resolution to Change the Rights, Privileges, Restrictions and Conditions Attaching to the \$2.25 Cumulative Redeemable Convertible Second Preferred Shares, Series 3**

WHEREAS the authorized capital of Ivaco Inc. (the "Corporation") includes an unlimited number of Second Preferred Shares of which 1,200,000 have been designated as \$2.25 Cumulative Redeemable Convertible Second Preferred Shares, Series 3 (the "Series 3 Second Preferred Shares");

AND WHEREAS in addition to the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class, the Series 3 Second Preferred Shares are subject to and carry the rights, privileges, restrictions and conditions set out in Schedule "A" annexed to and forming part of the articles of amendment of the Corporation dated July 10, 1984;

AND WHEREAS it is considered desirable in the interest of the holders of the Series 3 Second Preferred Shares to amend the rights, privileges, restrictions and conditions attaching thereto as hereinafter provided;

NOW THEREFORE BE IT RESOLVED THAT:

1. the articles of the Corporation be amended to change the rights, privileges, restrictions and conditions attaching to the Series 3 Second Preferred Shares, as set out in Schedule "A" to the articles of amendment of the Corporation dated July 10, 1984, as follows:

- (a) by deleting the word "cash" and the phrase "in lawful money of Canada," from the first sentence of clause (a) of Schedule "A";
- (b) by adding the following clause (aa) immediately after clause (a) of Schedule "A":

**"(aa) Manner of Payment**

In declaring the dividends provided for in clause (a), the board of directors may at any time and from time to time provide for the payment, in whole or in part, of such dividends in cash or in \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 of the Corporation ("Series 5 Second Preferred Shares") or in Class A Shares (as hereinafter defined) or in any combination of the foregoing, subject to the prior written approval of any stock exchange on which the class or series of shares to be issued to satisfy all or part of such dividends are then listed. Any shares of the Corporation issued in payment of a dividend shall be issued as fully paid and non-assessable shares.

The Corporation shall pay cash in satisfaction of any fractional interests in shares of any class or series of the Corporation that may result from the declaration of any dividend payable in shares.

In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on The Toronto Stock Exchange (the "TSE") and The Montreal Exchange (the "ME"), the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be of the combined weighted average of the trading prices per share of the shares of such class or series on each of the TSE and the ME on the 20 most recent trading days, in the case of any payment of dividends that are in arrears as at January 16, 1995, ending on the fifteenth business

day prior to the date on which such dividend payment is made, and, in the case of the payment of any other dividend, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on any one or more stock exchange or recognized stock trading quotation system, not including both the TSE and the ME, the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each such stock exchange or stock trading quotation system on the 20 most recent trading days, in the case of any payment of dividends that are in arrears as at January 16, 1995, ending on the fifteenth business day prior to the date on which such dividend payment is made, and, in the case of the payment of any other dividend, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In any other event, the money value of a dividend or part thereof declared in shares of any class or series shall be determined by the board of directors of the Corporation by reference to a report or opinion of a securities adviser or dealer registered as such or in any like capacity in each of the provinces of Canada and selected by the board of directors for such purpose.

In the event that the board of directors provides for the payment in shares of all or part of dividends that are in arrears as at January 16, 1995, and, at the time of the declaration of such dividends, the shares of any class or series to be issued to satisfy all or part of such dividends are listed on any stock exchange or recognized stock trading quotation system, the payment date shall be set at least 35 trading days after the date on which the declaration of such dividends is publicly announced by the Corporation.

The issuance by the Corporation of fully paid and non-assessable shares in payment of all or part of a dividend on the Series 3 Second Preferred Shares shall satisfy the dividends payable on the Series 3 Second Preferred Shares in an amount equal to the money value of the shares so issued, as determined as aforesaid by the board of directors. Where any tax required to be withheld by the Corporation from a payment by it of dividends on Series 3 Second Preferred Shares held or owned by a non-resident of Canada exceeds the difference between the amount of the dividend and the amount thereof that would otherwise be satisfied through the issuance by the Corporation of shares, the number of shares to be so issued by the Corporation shall be reduced, and the amount, if any, of the dividend that is to be satisfied by the delivery of a cheque shall be increased, as necessary so that the full amount of such tax may be withheld by the Corporation from the payment of that part of the dividend which would otherwise be satisfied through the delivery of a cheque of the Corporation.

All amounts expressed herein in terms of money refer to the lawful currency of Canada.”; and

(c) by deleting clause (1) from Schedule “A” and substituting the following therefor:

**“(1) Additional Second Preferred Shares**

No additional Second Preferred Shares may be issued if the Corporation is in arrears of any dividends on any Second Preferred Shares, except that the Corporation may at any time or from time to time issue additional Second Preferred Shares in payment of a dividend declared on any outstanding Second Preferred Shares, irrespective of whether or not the Corporation is in arrears of any dividends on any Second Preferred Shares.”; and

2. any director and/or officer of the Corporation be and he or she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or desirable to give effect to this resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the *Canada Business Corporations Act*), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination. Notwithstanding the foregoing, the directors of the Corporation may, without further approval of the holders of shares of any class or series of the Corporation, revoke this resolution at any time before the certificate of amendment to be issued by such Director upon receipt of such articles of amendment becomes effective.

## Appendix 4

### **Special Resolution to Change the Rights, Privileges, Restrictions and Conditions Attaching to the Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4**

WHEREAS the authorized capital of Ivaco Inc. (the “Corporation”) includes an unlimited number of Second Preferred Shares of which 3,000,000 have been designated as Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4 (the “Exchangeable Preferred Shares”);

AND WHEREAS in addition to the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class, the Exchangeable Preferred Shares are subject to and carry the rights, privileges, restrictions and conditions set out in Schedule “A” annexed to and forming part of the articles of amendment of the Corporation dated April 1, 1985;

AND WHEREAS it is considered desirable in the interest of the holders of the Exchangeable Preferred Shares to amend the rights, privileges, restrictions and conditions attaching thereto as hereinafter provided;

NOW THEREFORE BE IT RESOLVED THAT:

1. the articles of the Corporation be amended to change the rights, privileges, restrictions and conditions attaching to the Exchangeable Preferred Shares, as set out in Schedule “A” to the articles of amendment of the Corporation dated April 1, 1985, as follows:

- (a) by deleting Section 1.3 of Schedule “A” and substituting the following section therefor:

“1.3 Canadian Funds

All amounts expressed herein in terms of money refer to the lawful currency of Canada.”;

- (b) by deleting the word “cash” where it first appears in the first sentence of Section 2.1 of Schedule “A”;

- (c) by adding the following immediately after the words “such bank” in the fourth line of the second sentence of Section 2.1 of Schedule “A”:

“, or, in the case of the Issuer Portion (as defined in Section 2.7 hereof) of any such dividends, in a manner provided for in Section 2.7.”; and

- (d) by adding the following Section 2.7 immediately after Section 2.6 of Schedule “A”:

**“2.7 Manner of Payment**

(1) In this Section 2.7, the term “Issuer Portion” means that portion of any cumulative preferential dividend in respect of any Dividend Payment Date after April 15, 1990 equal to \$0.32. For purposes of calculating the amount of the Issuer Portion payable on any day other than a Dividend Payment Date upon redemption or purchase of the Exchangeable Preferred Shares under Article IV hereof, the amount of the Issuer Portion shall be equal to the amount calculated by multiplying \$0.32 by a fraction, the numerator of which is the number of days from and including the immediately preceding Dividend Payment Date to but excluding the date of redemption or purchase and the denominator of which is the number of days from and including the immediately preceding Dividend Payment Date to but excluding the next Dividend Payment Date.

(2) In declaring the dividends provided for in Section 2.1 or Section 2.2, the board of directors may at any time and from time to time provide for the payment, in

whole or in part, of the Issuer Portion of such dividends in cash or in \$2.625 Cumulative Redeemable Retractable Second Preferred Shares of the Corporation (“Series 5 Second Preferred Shares”) or in Class A Subordinate Voting Shares or in any combination of the foregoing, subject to the prior written approval of any stock exchange on which the class or series of shares to be issued to satisfy all or part of such dividends are then listed. Any shares of the Corporation issued in payment of a dividend shall be issued as fully paid and non-assessable shares.

(3) The Corporation shall pay cash in satisfaction of any fractional interests in shares of any class or series of the Corporation that may result from the declaration of any dividend payable in shares.

(4) In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on The Toronto Stock Exchange (the “TSE”) and The Montreal Exchange (the “ME”), the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each of the TSE and the ME on the 20 most recent trading days, in the case of any payment of the Issuer Portion that is in arrears as at January 16, 1995, ending on the fifteenth business day prior to the date on which such dividend payment is made, and, in the case of the payment of any other Issuer Portion, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In the event that shares of the class or series of any shares to be issued in payment of all or part of a dividend are, on the date on which such dividend is declared by the board of directors, listed and posted for trading on any one or more stock exchange or recognized stock trading quotation system, not including both the TSE and the ME, the money value of such dividend or part thereof declared in shares of such class or series shall be the amount determined by the board of directors of the Corporation to be the combined weighted average of the trading prices per share of the shares of such class or series on each such stock exchange or stock trading quotation system on the 20 most recent trading days, in the case of any payment of the Issuer Portion that is in arrears as at January 16, 1995, ending on the fifteenth business day prior to the date on which such dividend payment is made, and, in the case of the payment of any other Issuer Portion, immediately prior to the date on which such dividend is declared; or on the basis of such other trading price data providing evidence of the fair market value of such shares as the board of directors may from time to time determine. In any other event, the money value of a dividend or part thereof declared in shares of any class or series shall be determined by the board of directors of the Corporation by reference to a report or opinion of a securities adviser or dealer registered as such or in any like capacity in each of the provinces of Canada and selected by the board of directors for such purpose.

In the event that the board of directors provides for the payment in shares of all or part of dividends that are in arrears as at January 16, 1995, and, at the time of the declaration of such dividends, the shares of any class or series to be issued to satisfy all or part of such dividends are listed on any stock exchange or recognized stock trading quotation system, the payment date shall be set at least 35 trading days after the date on which the declaration of such dividends is publicly announced by the Corporation.

(5) The issuance by the Corporation of fully paid and non-assessable shares in payment of all or part of an Issuer Portion on Exchangeable Preferred Shares shall satisfy the Issuer Portion payable on the Exchangeable Preferred Shares or part thereof in an amount equal to the money value of the shares so issued, as determined as aforesaid by the board of directors. Where any tax required to be withheld by the Corporation from a payment by it of the Issuer Portion on Exchangeable Preferred Shares held or owned by a non-resident of Canada exceeds the difference between the amount of the Issuer Portion and the amount thereof that would otherwise be satisfied through the issuance by the Corporation of shares, the number of shares to be so issued by the Corporation shall be reduced, and the amount, if any, of the Issuer Portion that is to be satisfied by the delivery of a cheque shall be increased, as necessary so that the full amount of such tax may be withheld by the Corporation from the payment of that part of the Issuer Portion which would otherwise be satisfied through the delivery of a cheque of the Corporation.”; and

2. any director and/or officer of the Corporation be and he or she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts and things as he or she may determine to be necessary or desirable to give effect to this resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the *Canada Business Corporations Act*), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination. Notwithstanding the foregoing, the directors of the Corporation may, without further approval of the holders of shares of any class or series of the Corporation, revoke this resolution at any time before the certificate of amendment to be issued by such Director upon receipt of such articles of amendment becomes effective.

## **Appendix 5**

### **Proposed Series Provisions for \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5**

In addition to the rights, privileges, restrictions and conditions attaching to the Second Preferred Shares of the Corporation as a class, the \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 (the “Series 5 Second Preferred Shares”) shall also be subject to the following rights, privileges, restrictions and conditions:

#### **(a) Dividends**

The holders of the Series 5 Second Preferred Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors out of monies of the Corporation properly applicable to the payment of dividends, fixed, cumulative, preferential cash dividends: (a) on July 1, 1995 in an amount equal to \$2.625 per share multiplied by the number of days elapsed from and including the first date on which Series 5 Second Preferred Shares are issued and outstanding to but excluding July 1, 1995 and divided by 365; and (b) thereafter at the rate of \$2.625 per annum per share, payable in quarterly instalments in the lawful money of Canada, at the rate of \$0.65625 per share, on the first day of each of the months of January, April, July and October in each year (each of which is hereinafter called a “dividend payment date”).

Cheques of the Corporation drawn on a Canadian chartered bank, payable at par at any branch of such bank in Canada, may be issued in respect of such dividends and payment thereof shall satisfy such dividends. If on any dividend payment date the dividend payable on such date is not paid in full on all the Series 5 Second Preferred Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors on which the Corporation shall have sufficient monies properly applicable to the payment thereof. The holders of the Series 5 Second Preferred Shares shall not be entitled to any dividends other than or in excess of the preferential dividends for which provision is expressly made herein.

#### **(b) Rights on Voluntary Liquidation, etc.**

In the event of the voluntary liquidation, dissolution, winding-up or other distribution of assets of the Corporation, the holders of Series 5 Second Preferred Shares shall be entitled to receive all amounts payable to them pursuant to the provisions of clause (e) of the conditions attaching to the Second Preferred Shares as a class, and for these purposes the amount paid up on each Series 5 Second Preferred Share shall be deemed to be the stated capital account for the Series 5 Second Preferred Shares divided by the number of issued and outstanding Series 5 Second Preferred Shares at the time of calculation. After payment to the holders of the Series 5 Second Preferred Shares of all amounts payable to them pursuant to the provisions of clause (e) of the conditions attaching to the Second Preferred Shares as a class, they shall not be entitled to share in any further distribution of the assets of the Corporation.

#### **(c) Voting**

The holders of the Series 5 Second Preferred Shares shall not be entitled as such (except as hereinafter specifically provided and as provided in the *Canada Business Corporations Act* (the “Act”)) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meetings unless and until the Corporation shall fail to pay in the aggregate eight quarterly dividends on the Series 5 Second Preferred Shares on the dates on which the same should be paid according to the terms thereof, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the

payment of dividends; thereafter, so long as any dividends on the Series 5 Second Preferred Shares remain in arrears, the holders of the Series 5 Second Preferred Shares shall be entitled to receive notice of, to attend and to vote at all meetings of shareholders of the Corporation on the basis of one vote for each Series 5 Second Preferred Share held. The foregoing voting provision shall be applicable from time to time and as often as the Corporation shall be so in default.

**(d) Purchase**

The Corporation may, at any time and from time to time, subject to the provisions of clause (g) hereof, purchase pursuant to the provisions of the Act all or any part of the Series 5 Second Preferred Shares (a) through the facilities of a stock exchange on which the shares are listed or by invitation for tenders addressed to all the holders of record thereof, or (b) otherwise at a price per share not exceeding \$25.00 plus all accrued and unpaid dividends and costs of purchase.

If, upon any invitation for tenders under the provisions of this clause (d), the Corporation shall receive tenders of Series 5 Second Preferred Shares at the same lowest price which the Corporation may be willing to pay in an aggregate number greater than the number which the Corporation is then agreeable to purchase, the Series 5 Second Preferred Shares so to be purchased shall be purchased from each of the holders of Series 5 Second Preferred Shares who shall have submitted tenders at the said same lowest price as nearly as possible *pro rata* (disregarding fractions) according to the number of Series 5 Second Preferred Shares so tendered by each of such holders.

From and after the date of purchase of any Series 5 Second Preferred Shares, the shares so purchased shall be cancelled.

**(e) Retraction**

Subject to the provisions of clause (g) hereof, on each of the sixth, seventh, eighth, ninth and tenth anniversaries of the first date on which Series 5 Second Preferred Shares are issued and outstanding (each, a “Retraction Date”, and, respectively, the first, second, third, fourth and fifth Retraction Dates), any holder of Series 5 Second Preferred Shares may require the Corporation to redeem such number of Series 5 Second Preferred Shares registered in the name of such holder (the “Retracted Shares”) as the holder may have specified in a notice in writing (a “Retraction Notice”) delivered to the Corporation not earlier than 120 days and not later than 60 days prior to the Retraction Date on which such redemption is to occur, provided that the Corporation shall not be required to redeem:

- (i) on the first Retraction Date, a number of Series 5 Second Preferred Shares in excess of 10% of then issued and outstanding Series 5 Second Preferred Shares;
- (ii) on the second Retraction Date, a number of Series 5 Second Preferred Shares in excess of 15% of then issued and outstanding Series 5 Second Preferred Shares;
- (iii) on the third Retraction Date, a number of Series 5 Second Preferred Shares in excess of 15% of then issued and outstanding Series 5 Second Preferred Shares; and
- (iv) on the fourth Retraction Date, a number of Series 5 Second Preferred Shares in excess of 20% of then issued and outstanding Series 5 Second Preferred Shares.

Subject to the provisions of clause (g) hereof, on the fifth Retraction Date the Corporation may be required in accordance with this clause (e) to redeem all of the Series 5 Second Preferred Shares then outstanding.

Each holder of Series 5 Second Preferred Shares who delivers a Retraction Notice in accordance herewith in respect of all or any Series 5 Second Preferred Shares registered in the name of that holder shall deliver to the Corporation not later than 21 days prior to the date on which the retraction price is required to be paid the certificate or certificates representing the Series 5 Second Preferred Shares that such holder desires to have redeemed by the Corporation. If any holder of Series 5 Second Preferred

Shares shall have delivered to the Corporation a Retraction Notice and a certificate or certificates in accordance with the foregoing, the Corporation shall, subject to the provisions of this clause (e), redeem the Retracted Shares specified in such Retraction Notice and represented by such certificates and pay to the holder thereof, as hereinafter provided, on such Retraction Date the retraction price applicable to each Series 5 Second Preferred Share so redeemed (less any tax required to be withheld by the Corporation).

The retraction price to be paid by the Corporation in respect of any Series 5 Second Preferred Share shall be equal to \$25.00 plus any accrued and unpaid dividends up to the date of retraction. Such retraction price shall be paid by cheque of the Corporation payable to or to the order of the holder entitled thereto at par at any branch of the Corporation's bankers for the time being in Canada unless the Corporation, with the prior written approval of any stock exchange or recognized stock trading quotation system on which the Class A Subordinate voting shares are then listed and not later than 40 days prior to each Retraction Date, shall notify each holder of Series 5 Second Preferred Shares who has delivered a Retraction Notice to the Corporation that the Corporation intends to satisfy some or all of the retraction price by issuing Class A subordinate voting shares of the Corporation, in which case the retraction price shall be paid in cash (by cheque) or by the issuance of Class A subordinate voting shares, or in any combination thereof, as notified by the Corporation.

Any Class A subordinate voting shares of the Corporation issued in payment of all or part of a retraction price shall be issued as fully paid and non-assessable shares. The Corporation shall pay cash in satisfaction of any fractional interests in Class A subordinate voting shares of the Corporation that may result from the payment of all or part of a retraction price in such shares.

In the event that Class A subordinate voting shares are to be issued in payment of all or part of a retraction price on a Series 5 Second Preferred Share, the money value of such Class A subordinate voting shares for the purpose of determining the satisfaction of the retraction price payable on such Series 5 Second Preferred Share shall be the amount determined by the board of directors of the Corporation to be 95% of the combined weighted average of the trading prices per Class A subordinate voting share on each of The Toronto Stock Exchange (the "TSE") and The Montreal Exchange (the "ME") on the 20 most recent trading days ending on the fifth business day prior to the Retraction Date, provided that the Class A subordinate voting shares have been throughout such period listed and posted for trading on the TSE and the ME. In the event that Class A subordinate voting shares are to be issued in payment of all or part of a retraction price on a Series 5 Second Preferred Share, and the Class A subordinate voting shares are listed and posted for trading on any one or more stock exchange or recognized stock trading quotation system, not including both the TSE and the ME, the money value of such Class A subordinate voting shares for the purpose of determining the satisfaction of the retraction price payable on such Series 5 Second Preferred Share shall be the amount determined by the board of directors of the Corporation to be 95% of the combined weighted average of the trading prices per Class A subordinate voting share on each such stock exchange or stock trading quotation system on which the Class A subordinate voting shares are listed and posted for trading on the 20 most recent trading days ending on the fifth business day prior to the Retraction Date, provided that the Class A subordinate voting shares have been throughout such period listed and posted for trading on at least one such stock exchange or stock trading quotation system. In any other event, the money value of such Class A subordinate voting shares for the purpose of determining the satisfaction of the retraction price payable on such Series 5 Second Preferred Share shall be determined by the board of directors of the Corporation by reference to a report or opinion of a securities adviser or dealer registered as such or in any like capacity in each of the provinces of Canada and selected by the board of directors for such purpose.

The issuance by the Corporation of fully paid and non-assessable Class A subordinate voting shares in payment of all or part of the retraction price payable on a Series 5 Second Preferred Share shall satisfy the retraction price payable thereon in an amount equal to the money value of the shares so issued, as

determined as aforesaid by the board of directors. Where any tax required to be withheld by the Corporation from a payment by it of the aggregate retraction price for Series 5 Second Preferred Shares held or owned by a non-resident of Canada exceeds the difference between such aggregate retraction price and the amount thereof that would otherwise be satisfied through the issuance by the Corporation of fully paid and non-assessable Class A subordinate voting shares, the number of such shares to be so issued by the Corporation shall be reduced, and the amount, if any, of the aggregate retraction price that is to be satisfied by the delivery of a cheque shall be increased, as necessary so that the full amount of such tax may be withheld by the Corporation from the payment of that part of the aggregate retraction price which would otherwise be satisfied through the delivery of a cheque of the Corporation.

Any cheque delivered by the Corporation in full or partial payment of the retraction price for any Series 5 Second Preferred Share shall satisfy and discharge all liability of the Corporation for the retraction price to the extent of the amount represented thereby, unless such cheque is not paid on due presentation. The Series 5 Second Preferred Shares in respect of which payment is made in accordance with the foregoing provisions of this clause (e) shall be deemed to have been redeemed on the date on which such payment is made and the holders thereof shall cease to be entitled to dividends or to exercise any of the rights of holders thereof from such date, unless payment or deposit of the retraction price is not made as aforesaid in which event, subject as hereinafter provided, the rights of the holders of such Series 5 Second Preferred Shares shall remain unimpaired. Notwithstanding the foregoing, the retraction price to the extent that it is represented by a cheque which has not been presented for payment by the sixth anniversary of the relevant Retraction Date shall be forfeited to the Corporation.

If the Corporation is not permitted, by insolvency provisions or other provisions of applicable law or the rights, privileges, restrictions and conditions attaching to any shares of the Corporation ranking on a parity with or prior to the Series 5 Second Preferred Shares or the preceding provisions of this clause (e), to redeem all the Series 5 Second Preferred Shares as and when required pursuant to a Retraction Notice delivered in accordance with this clause (e), the Corporation shall redeem only the maximum number of Series 5 Second Preferred Shares that the directors of the Corporation determine the Corporation is then permitted to redeem. Such redemption will be made *pro rata* (disregarding fractions of shares) from each holder of Series 5 Second Preferred Shares who has delivered a Retraction Notice to the Corporation at or prior to the time the directors determine the maximum number of Series 5 Second Preferred Shares that the Corporation is then permitted to redeem. If less than all the Series 5 Second Preferred Shares represented by any such certificates are redeemed, new certificates shall be issued without charge to the holders in respect of the unredeemed Series 5 Second Preferred Shares represented by such certificates.

Except as otherwise provided herein, the election of any holder of Series 5 Second Preferred Shares to require the Corporation to redeem any Series 5 Second Preferred Shares pursuant to this clause (e) shall be irrevocable upon receipt by the Corporation of the Retraction Notice. To the extent that the Corporation has not redeemed Series 5 Second Preferred Shares in respect of which a Retraction Notice has been delivered to the Corporation due to restrictions of the kind referred to in the preceding paragraph of this clause (e), any holder of Series 5 Second Preferred Shares who made an original deposit may withdraw all, but not less than all, of the unredeemed Series 5 Second Preferred Shares in respect of which the Retraction Notice was delivered, in which case such holder shall be deemed to have elected not to have such unredeemed Series 5 Second Preferred Shares redeemed pursuant to such Retraction Notice.

The inability of the Corporation to effect a redemption pursuant to a Retraction Notice in whole on a Retraction Date shall not affect or limit the obligation of the Corporation to pay any dividends accrued or accruing on the Series 5 Second Preferred Shares from time to time not redeemed and remaining outstanding.

**(f) Redemption**

Subject to clause (g) hereof, the Corporation may, at any time and from time to time, redeem pursuant to the provisions of the Act the whole or any part of the Series 5 Second Preferred Shares then outstanding at a redemption price of \$25.00 per share together with all unpaid dividends, whether or not earned or declared, and which shall be deemed to accrue from day to day up to the date fixed for redemption (less any tax required to be withheld by the Corporation).

In determining to redeem the whole or any part of the Series 5 Second Preferred Shares at any time and from time to time, the board of directors may, with the prior written approval of any stock exchange or recognized stock trading quotation system on which the Class A subordinate voting shares are then listed, provide for the payment of the redemption price therefor in cash or by the issuance of Class A subordinate voting shares of the Corporation, or a combination thereof. Any Class A subordinate voting shares of the Corporation issued in payment of all or part of a redemption price shall be issued as fully paid and non-assessable shares. The Corporation shall pay cash in satisfaction of any fractional interests in Class A subordinate voting shares of the Corporation that may result from the payment of all or part of a redemption price in such shares.

In the event that Class A subordinate voting shares are to be issued in payment of all or part of a redemption price on a Series 5 Second Preferred Share, the money value of such Class A subordinate voting shares for the purpose of determining the satisfaction of the redemption price payable on such Series 5 Second Preferred Share shall be the amount determined by the board of directors of the Corporation to be 95% of the combined weighted average of the trading prices per Class A subordinate voting share on each of the TSE and the ME on the 20 most recent trading days ending on the fifth business day prior to the redemption date, provided that the Class A subordinate voting shares have been throughout such period listed and posted for trading on the TSE and the ME. In the event that Class A subordinate voting shares are to be issued in payment of all or part of a redemption price on a Series 5 Second Preferred Share, and the Class A subordinate voting shares are listed and posted for trading on any one or more stock exchange or recognized stock trading quotation system, not including both the TSE and the ME, the money value of such Class A subordinate voting shares for the purpose of determining the satisfaction of the redemption price payable on such Series 5 Second Preferred Share shall be the amount determined by the board of directors of the Corporation to be 95% of the combined weighted average of the trading prices per Class A subordinate voting share on each such stock exchange or stock trading quotation system on which the Class A subordinate voting shares are listed and posted for trading on the 20 most recent trading days ending on the fifth business day prior to the redemption date, provided that the Class A subordinate voting shares have been throughout such period listed and posted for trading on at least one such stock exchange or stock trading quotation system. In any other event, the money value of such Class A subordinate voting shares for the purpose of determining the satisfaction of the redemption price payable on such Series 5 Second Preferred Share shall be determined by the board of directors of the Corporation by reference to a report or opinion of a securities adviser or dealer registered as such or in any like capacity in each of the provinces of Canada and selected by the board of directors for such purpose.

The issuance by the Corporation of fully paid and non-assessable Class A subordinate voting shares in payment of all or part of the redemption price payable on a Series 5 Second Preferred Share shall satisfy the redemption price payable thereon in an amount equal to the money value of the shares so issued, as determined as aforesaid by the board of directors. Where any tax required to be withheld by the Corporation from a payment by it of the aggregate redemption price for Series 5 Second Preferred Shares held or owned by a non-resident of Canada exceeds the difference between such aggregate redemption price and the amount thereof that would otherwise be satisfied through the issuance by the Corporation of fully paid and non-assessable Class A subordinate voting shares, the number of such shares to be so issued by the Corporation shall be reduced, and the amount, if any, of the aggregate redemption price that

is to be satisfied by the delivery of a cheque shall be increased, as necessary, so that the full amount of such tax may be withheld by the Corporation from the payment of that part of the aggregate redemption price which would otherwise be satisfied through the delivery of a cheque of the Corporation.

If part only of the then outstanding Series 5 Second Preferred Shares is at any time to be redeemed, the Series 5 Second Preferred Shares so to be redeemed shall be selected as nearly as possible *pro rata* (disregarding fractions) according to the number of Series 5 Second Preferred Shares held by each shareholder.

Notice of any such redemption shall be given by the Corporation not less than 30 days prior to the date fixed for redemption by mailing, by ordinary unregistered mail, such notice to the registered holders of the Series 5 Second Preferred Shares to be redeemed at their respective addresses appearing in the books of the Corporation or, in the event of the address of any shareholder not so appearing, to the last known address of such shareholder. Such notice shall set out the redemption price and the date fixed for redemption and, if part only of the Series 5 Second Preferred Shares held by the person to whom any such notice is addressed is to be redeemed, the number of such Series 5 Second Preferred Shares so held by such person so to be redeemed. On and after the date fixed for redemption, the Corporation shall pay or cause to be paid the redemption price to, or to the order of, the registered holders of the Series 5 Second Preferred Shares to be redeemed on presentation and surrender, at the registered office of the Corporation or at any other place within Canada designated in such notice, of the certificates representing the respective Series 5 Second Preferred Shares called for redemption. Such Series 5 Second Preferred Shares shall thereupon be and be deemed to be redeemed and shall be cancelled. Such payment may be made by cheque drawn on a Canadian chartered bank payable at par at any branch of such bank in Canada or by the issuance of Class A subordinate voting shares as aforesaid. If less than all the Series 5 Second Preferred Shares represented by any such certificates are redeemed, new certificates shall be issued without charge to the holders of the unredeemed Series 5 Second Preferred Shares represented by such certificates.

From and after the date fixed for redemption, the holders of the Series 5 Second Preferred Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of shareholders in respect of such shares, unless payment of the redemption price shall not be made upon presentation and surrender of such certificates in accordance with the foregoing provisions.

At any time after the mailing of notice of its intention to redeem any Series 5 Second Preferred Shares, the Corporation shall have the right to deposit the redemption price (including any Class A subordinate voting shares issued as aforesaid) for such Series 5 Second Preferred Shares so called for redemption to the credit of a special account in any chartered bank or trust company in Canada of which notice shall have been or shall be given to the holders of the Series 5 Second Preferred Shares so called for redemption, to be paid, on or after the date fixed for redemption, without interest, to or to the order of the respective registered holders of such Series 5 Second Preferred Shares called for redemption on presentation and surrender to such chartered bank or trust company of the certificates representing the same.

Upon such deposit being made, the Series 5 Second Preferred Shares in respect of which such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof, after such deposit, shall be limited to the right to receive, without interest, from the depositary their proportionate part of the amount so deposited on presentation and surrender of their respective certificates. Any interest allowed on any such deposit shall belong to the Corporation.

**(g) Restrictions on Dividends and Retirement of Shares**

So long as any of the Series 5 Second Preferred Shares are outstanding, the Corporation shall not, without the approval of the holders thereof given as described in clause (j):

- (a) pay any dividends on the Class A subordinate voting shares, Class B voting shares or on any other shares of the Corporation ranking junior to the Series 5 Second Preferred Shares;
- (b) redeem, purchase or otherwise retire any Class A subordinate voting shares, Class B voting shares or any other shares of the Corporation ranking junior to or equally with the Series 5 Second Preferred Shares;
- (c) redeem, purchase or otherwise retire less than all the Series 5 Second Preferred Shares; or
- (d) make any payments in respect of sinking funds or retirement funds applicable to any of the shares of the Corporation ranking junior to the Series 5 Second Preferred Shares,

unless all dividends accrued up to and including the last preceding dividend payment date on the Series 5 Second Preferred Shares, and on all other shares ranking equally with or in priority to the Series 5 Second Preferred Shares, shall have been declared and paid or set apart for payment.

**(h) Additional Second Preferred Shares**

No additional Second Preferred Shares may be issued if the Corporation is in arrears of any dividends on any Second Preferred Shares, except that the Corporation may at any time or from time to time issue additional Second Preferred Shares in payment of a dividend declared on any outstanding Second Preferred Shares, irrespective of whether or not the Corporation is in arrears of any dividends on any Second Preferred Shares.

**(i) Tax Election**

The Corporation shall elect, in the manner and within the time provided under section 191.2 of the *Income Tax Act* (Canada) or any successor or replacement provision of similar effect, to pay tax at a rate such that, and shall take all other necessary action under the *Income Tax Act* (Canada) such that, no holder of Series 5 Second Preferred Shares shall be required to pay tax on dividends received on the Series 5 Second Preferred Shares under section 187.2 of Part IV.1 of the *Income Tax Act* (Canada) or any successor or replacement provision of similar effect.

**(j) Approval of Holders of Series 5 Second Preferred Shares**

None of the provisions of the immediately preceding clauses (a) to (i) hereof and of this clause (j) may be varied unless approved by the holders of the Series 5 Second Preferred shares and confirmed by Certificate of Amendment. Any approval to be given by the holders of Series 5 Second Preferred Shares shall be deemed to have been sufficiently given if given in one of the manners provided in clause (g) of the provisions attaching to the Second Preferred Shares as a class, which provisions shall apply *mutatis mutandis*, as though the term Series 5 Second Preferred Shares was used in the said clause (g) in place of the term Second Preferred Shares, and for all purposes of this clause (j) and the said clause (g) the amount paid up on each Series 5 Second Preferred Share shall be deemed to be the stated capital account for the Series 5 Second Preferred Shares divided by the number of issued and outstanding Series 5 Second Preferred Shares at the time of calculation.







*Dividends:* fixed cumulative preferred dividends of \$2.625 per share per annum (10.50%) payable quarterly in cash



*Retraction:* retractable at the option of the holder on the sixth anniversary of the original issue date of Series 5 Shares as to 10% of the Series 5 Shares then outstanding, and as to 15%, 15%, 20% and 100% of the number of Series 5 Shares outstanding on each of the 7th, 8th, 9th and 10th anniversaries of the original issue date, at \$25.00 per share payable at the Company's option in cash or in Class A subordinate voting shares

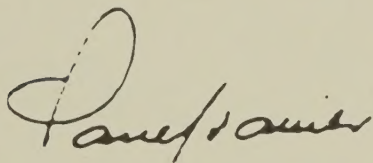
*Redemption:* redeemable by the Company at any time for \$25.00 per share payable in cash or in Class A subordinate voting shares

The special resolutions to amend the provisions of each of the four existing series of Second Preferred Shares are included in the accompanying Management Proxy Circular. To be effective, each must be approved at the special meetings by a two-thirds majority of (i) the holders of each series of Second Preferred Shares voting separately as a series, (ii) the holders of the Second Preferred Shares voting separately as a class, and (iii) the holders of the Class A subordinate voting shares, Class B voting shares and Second Preferred Shares voting together.

Your board of directors believes that this proposal for the resumption of dividend payments and the satisfaction of the outstanding arrears on the Second Preferred Shares is in the best interests of both preferred shareholders and common shareholders and is consistent with the Company's improving financial condition and its desire to manage its financial affairs in a prudent manner. Accordingly, I would urge you to vote in favour of the Special Resolutions in the proxy or proxies accompanying this letter and return it or them in the envelope provided.

I look forward to seeing you at the special meetings.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul Ivanier", written in a cursive style.

Paul Ivanier  
President & Chief Executive Officer

